The Iranian political elite, state and society relations, and foreign relations since the Islamic revolution

Rakel, E.P.

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This study analyzes the dynamics of factionalism among the political elite in the Islamic Republic of Iran (IRI) and the approaches of the different political factions to economic, socio-cultural, and foreign policy issues from the Islamic Revolution in 1979 until 2007. The Islamic revolution caused a fundamental change in the composition of the political elite in Iran, whose secular oriented members were replaced by mainly clerics and religious laypersons. The nature of the political system of the IRI is unique as it is based on a combination of state institutions that derive their legitimacy from Islamic law - the religious supervisory bodies - and republican institutions legitimized by the people - the legislative, the executive, and the judiciary. Legal political parties do not exist in the IRI. Political factions represent the different approaches to economic, socio-cultural, and foreign policy. These different approaches are based on diverse ideological and material interests of the members of the factions and the groups that support them. It is argued that factional rivalries and tensions inherent to the structure of state institutions prevent the implementation of fundamental reforms in the economic, socio-cultural and foreign policy areas in Iran.
THE IRANIAN POLITICAL ELITE, STATE AND SOCIETY RELATIONS, AND FOREIGN RELATIONS SINCE THE ISLAMIC REVOLUTION

Eva Patricia Rakel
The Iranian Political Elite, State and Society Relations, and Foreign Relations since the Islamic Revolution
The Iranian political elite

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Faculteit:
Faculteit der Maatschappij en Gedragswetenschappen
To my parents
Irmgard and Konrad Rakel
The Iranian political elite
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Eva Patricia Rakel
Amsterdam, May 2008
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<td>ACDA</td>
<td>US Arms Control and Disarmament Agency</td>
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<tr>
<td>AIOC</td>
<td>Anglo-Iranian Oil Company</td>
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<tr>
<td>APOC</td>
<td>Anglo-Persian Oil Company</td>
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<tr>
<td>ASEAN</td>
<td>Association of South East Asian Nations</td>
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<tr>
<td>Bbl/d</td>
<td>barrels per day</td>
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<td>BP</td>
<td>British Petroleum</td>
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<tr>
<td>Btu</td>
<td>British thermal unit</td>
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<td>CEA</td>
<td>Central Eurasia</td>
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<td>CENTO</td>
<td>Central Treaty Organization</td>
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<td>ECC</td>
<td>Energy Cooperation Center</td>
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<tr>
<td>ECO</td>
<td>Economic Cooperation Organization</td>
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<td>ECS</td>
<td>Energy Charter Secretariat</td>
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<td>EIA</td>
<td>Energy Information Administration</td>
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<td>EU</td>
<td>European Union</td>
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<td>FDI</td>
<td>Foreign Direct Investment</td>
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<td>GAERC</td>
<td>General Affairs and External Relations Council</td>
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<td>GCC</td>
<td>Gulf Cooperation Council</td>
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<td>GDP</td>
<td>Gross Domestic Product</td>
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<tr>
<td>GNP</td>
<td>Gross National Product</td>
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<td>IAEA</td>
<td>International Atomic Energy Agency</td>
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<tr>
<td>ICCM</td>
<td>Iran chamber of Commerce, Industries and Mines</td>
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<td>ICCO</td>
<td>Islamic Culture and Communications Organization</td>
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<td>ICG</td>
<td>International Crisis Group</td>
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<td>IDRO</td>
<td>Industrial Development and Renovation Organization</td>
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<td>IFAD</td>
<td>International Fund for Agricultural Development</td>
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<td>IFLF</td>
<td>Islamic Interest-Free Loan Funds</td>
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<td>ILSA</td>
<td>Iran-Libya Sanctions Act</td>
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<td>INOGATE</td>
<td>Inter-state Oil and Gas Transport to Europe</td>
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<tr>
<td>IPE</td>
<td>International Political Economy</td>
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<td>IPI</td>
<td>Iran-Pakistan-India (pipeline)</td>
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<td>IPS</td>
<td>Iran Press Service</td>
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<td>IR</td>
<td>International Relations</td>
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<td>IRGC</td>
<td>Islamic Revolutionary Guards Corps</td>
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<tr>
<td>IRI</td>
<td>Islamic Republic of Iran</td>
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<td>IRP</td>
<td>Islamic Republican Party</td>
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<td>ISA</td>
<td>Iran Sanctions Act</td>
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<td>ISNA</td>
<td>Iranian Students News Agency</td>
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<td>ISP</td>
<td>internet service providers</td>
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<tr>
<td>LEF</td>
<td>Law Enforcement Forces</td>
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Abbreviations

LNG  Liquefied Natural Gas
Mbbl/d  million barrels per day
MENA  Middle East and North Africa
MODAFL  Ministry of Defense and Armed Forces Logistics
NATO  North Atlantic Treaty Organization
NIC  National Intelligence Council
NIOC  National Iranian Oil Company
NSC  National Security Council
NSCA  North-South Corridor Agreement
OIC  Organization of Islamic Conference
OPEC  Organization of Petroleum Exporting Countries
SCC  Special Court for the Clergy
SCIRI  Supreme Council of the Islamic Revolution in Iraq
SCO  Shanghai Cooperation Organization
SCR  Security Council Resolution
SI  Sequential Industrialization
SMD  simple text messages
TAP  Turkmenistan-Afghanistan-Pakistan (pipeline)
TAR  Trans-Asia Railway Network
TCA  Trade Cooperation Agreement
UAE  United Arab Emirates
UNCTAD  United Nations Conference on Trade and Development
US  United States
WTO  World Trade Organization
The Iranian political elite
Map 1 Iran
Map 2  Iran and the Persian Gulf Countries

The Persian Gulf (Harvard Map Collection 1997).
Introduction

This study analyzes the Iranian political elite and its related institutions, state-society relations, and foreign relations since the Iranian Islamic revolution in 1979 until (December) 2007. The main argument is, that domestic policies in Iran cannot be understood when neglecting the international level, whilst the foreign policies of the IRI are impossible to grasp without taking into account the domestic level. The domestic and international levels are interlinked and cannot be analyzed in isolation from each other.

Specifically, this study focuses on the rivalries for power between the different political factions of the Iranian political elite through state institutions, and the impact of these rivalries for power on economic, socio-cultural, and foreign policy issues. It further discusses how far domestic and foreign policies in Iran are a response to domestic, as well as international, developments, and challenges and also the impact of ideology (politicized religion/Shi’ism) on policy formulation in Iran.

The analysis is structured into four phases: (1) from 1979 to 1989 during Ayatollah Ruhollah Khomeini’s Supreme Leadership; (2) from 1989-1997 during the presidency of Hojjatoleslams Hashemi Rafsanjani; (3) from 1997-2005 during the presidency of Hojjatoleslasm Seyyed Mohammad Khatami; and (4) since the presidency of Mahmoud Ahmadinejad in 2005. Each phase is characterized by major shifts in economic, socio-cultural, and/or foreign policy formulation as well as public debates on these issues. The author has chosen a chronological approach as this is considered to be an appropriate way to analyze and evaluate continuity, and change in policy formulation and public debates in Iran since the Islamic revolution. Within this chronological order, for methodological reasons, there will be separate chapters on the economy, socio-cultural issues, and foreign policy in Iran. This will enable better evaluation of how the rivalry between the political factions has impacted on these issues. Naturally, the way these issues influence each other will be clearly stressed in the analysis. The following set of questions will be dealt with in this study:

(1) What is the place of the Iranian political elite and its related institutions in the Iranian society? What role does the Iranian political elite play in domestic (economic, socio-cultural) and foreign policy formulation? How much does the Iranian political elite contribute to or slow down economic reform and democratization in Iran?

(2) What effect does factionalism within the Iranian political elite have on the control of state and para-governmental institutions and economic, socio-cultural, and foreign policy formulation? What is the driving force for a political faction to pursue specific domestic and foreign policies, are the motives ideological (politicized religion/Shi’ism), pragmatic or a combination of both?
(3) What impact do domestic and global developments have on policy formulation in Iran? What impact does the political discourse among intellectuals, the media, the women’s movement, and students have on policy formulation in Iran? What effect does the way Iran is viewed by other governments (the Persian Gulf countries, Russia, Central Eurasia (CEA), China, India, the United States (US), the European Union (EU) [member countries]) have on policy formulation in Iran? What effect does the way Iran sees its role in the world have on policy formulation in Iran?

(4) What is the position of Iran in international relations? Has it changed since the Iranian Islamic revolution or remained the same? What is the nature of relations between Iran and the Middle East, Russia, China, India, and the US since the Islamic revolution?

(5) What is the nature of relations between Iran and the EU? What role does the EU play in Iran’s overall foreign policy strategy? What role does Iran play in the EU’s overall foreign policy strategy, and that of its member countries?

Theoretically, this study combines elite theories with studies on political regimes, and with the critical theory/critical geopolitics approach, to be discussed in chapter 1. To better understand the nature of a political system, one has to look at both the similarities between, as well the uniqueness of, governments and societies. To label the nature of a political system, however, does not by itself provide a better understanding of the power relations in a country. An important element of power in a society is the political elite. Yet, the knowledge of how members of the political elite relate to each other and to the rest of society does not give us a clear understanding of how domestic and foreign policy is formulated. Here other factors play a role such as the impact of ideology (politici zi ed religion/Shi’ism) or the pressures from external forces on policy formulation. The main argument for this eclectic scope, in developing the theory, is that as far as the author is aware there exists no theory that combines these three subjects into one coherent model.

Methodologically, the study is based on literature, newspaper articles, original documents (i.e. governmental annual reports, press releases etc.), and interviews with Iranian academics and politicians. In this study, a distinction is made between the formal and informal power structure in the IRI. The IRI has a formal power structure derived from its state institutions (see figure 2.1). The informal power structure is based on personal networks or alliances between the members of the political factions with high positions in state institutions, but also those who fall outside the institutional power structure, such as, writers, intellectuals, and journalists (see figure 2.2).

The formal power structure is often presented in such a way that the Iranian people, or the electorate, stand at the top of the hierarchy (see for example Buchta 2000: diagram 1). This arrangement, however, provides a picture of the formal power structure

---

1. Central Eurasia includes the countries of Central Asia (Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan) and South Caucasus (Armenia, Azerbaijan, and Georgia).
that could be misinterpreted. Though the Iranian public participates in the political process through electing the president and members of parliament, candidates running for presidency or parliament have always to be approved by the Council of the Guardian (Shora-ye Maslahat-e Nezam). Furthermore the supreme leader (vali-ye faqih) has the final say over all bills that have been passed in parliament. Consequently, as is shown in figure 2.1 it is actually the supreme leader, who stands at the top of the hierarchy of the formal power structure, while the Iranian public stands at the very bottom.

The distinction of the political elite into factions is not the author’s own categorization, but is based on several works published on factional politics or factionalism in the IRI, see for example Mehdi Moslem Factional Politics in post-Khomeini Iran (2002), Hossein S. Seifzadeh The Landscape of Factional Politics and Its Future in Iran (2001), Wilfried Buchta Who Rules Iran-The Structure of Power in the Islamic Republic (2000), and Bahman Bakhtiar Parliamentary Politics in Revolutionary Iran-The Institutionalisation of Factional Politics (1996). This distinction is also used by the Iranian political elite and the Iranian public, as can be seen from academic publications, newspaper articles, speeches etc.

As there are no official parties in Iran that compete for power, the political factions reflect their members’ views on economic, socio-cultural, and foreign policy issues. But the factions are not homogeneous. They are loose networks of groups, organizations, and clergy, as well as religious laypersons. They all supported Khomeini, the Islamic revolution, and the idea of the Islamic state. But they disagree on the nature of the IRI’s political system and on economic, socio-cultural, and foreign policy issues.

The categorization into different factions also has its problems, as a categorization fails to bring to the fore the overlaps between the factions. In chapter 2 an attempt to solve this problem is made by demonstrating persisting and changing ideas on economic, socio-cultural, and foreign policy issues, between and within the factions, from a historical perspective from 1979 until the presidency of Mahmoud Ahmadinejad.

One of the aims of this study is to give an as up-to-date as possible picture of political, economic, socio-cultural, and foreign policy events in Iran. The author is aware, however, that each academic work has its limits of actuality. This is due to publication schedules or other technical issues, related to the work, but also as the most recent events can show their effects only after days, weeks, months, or years. This can influence the analysis of recent events, which in the worst case would have to rely on speculation rather than decent evaluation.

This study is not based on a single system of transliteration. The reader is requested to forgive any transliteration inconsistencies.

The study departs from the assumption that two aspects are the main obstacles to
fundamental economic, socio-cultural, and foreign policy change in Iran or a change of the political system:

(1) The first is the system of the *velayat-e faqih* (Supremacy of the Jurist) as introduced by Ayatollah Khomeini after the Islamic revolution. The system of the *velayat-e faqih*, which is the basic principle of the IRI, grants supremacy on all policies to the supreme leader and therewith undermines democratic processes in Iran.

(2) The second is the rivalries between the different political factions for power. Because of these rivalries, the Iranian government has been unable to develop a coherent economic policy and to regulate its relations with domestic opposition and its international relations. As a consequence, economic, socio-cultural, and foreign policy reforms are introduced and implemented only slowly.

Almost 30 years after the Islamic revolution, the IRI remains the subject of misunderstanding. Though the Iranian constitution of 1979, institutionalized after the Islamic revolution, is unique and has absolutely no predecessor, the Islamic revolution was not a big break with the past – (the Pahlavi regime 1921-1979) – but to the contrary, as will be shown in this study, the IRI, indeed, shows many aspects of continuity with the Pahlavi regime.

The Islamic revolution did not result in the establishment of a political regime oriented towards the past/traditionalism, but to the contrary has produced a society that is partly very modern and progressive. Since the Islamic revolution the country has a low illiteracy rate, a high rate of higher educated people, and especially, a large number of highly educated women. The younger generation is very critical of the Iranian government. It is aware of its personal needs and longings, and it is not afraid to articulate these anymore.

The Islamic revolution took place by a coalition of Islamic, secular, and liberal Islamic social forces. It was the combination of these forces, and not Ayatollah Khomeini and his followers alone, who were able to mobilize the masses. Though the secular and liberal Islamic forces were eliminated from power shortly after the revolution, ideological divisions remained, even among the supporters of Khomeini. When Khomeini was still alive, he was able to channel the ideological divisions among the Iranian political elite and, therewith, prevent major clashes between them. After his death in 1989 these divisions intensified. His death created the space for a more open conflict among the political elite who held different views on economy, socio-cultural issues, and foreign policy. Since then, the different views have been gathered in political factions that compete with each other for power.

Iran’s involvement in the international arena remains paradoxical. On the one hand, Iran is eager to improve relations with the countries of CEA, the Persian Gulf countries, Russia, China, India, and the EU. On the other hand, the US is seeking to isolate it still further, with great effects not only on Iran’s position in world politics but also for economic reforms in the country. The relationship between Iran and the outside world is potentially quite confrontational, as has most recently been shown in the nuclear issue.
At the same time, there are flourishing intellectual discourses in Iran on issues such as: democracy; the role of religion in politics; the role of the clergy in politics; the role of women in society, etc. They force the political factions to think about and sometimes reformulate their positions on economic, socio-cultural, and foreign policy issues. This discourse started after the death of Khomeini, first among clergy and lay intellectuals who enthusiastically supported the Islamic revolution but have now become its most bitter critics. Since Mohammad Khatami’s presidency, this discourse is not limited anymore to circles of intellectuals, but includes, also, the Iranian public at large that debates these issues through their own websites and web logs.

The Islamic regime, until now, has been able to keep political stability at home. Strong institutions and violence against the Iranian population, however, are only useful to counter threats “from within” in the short term. They do not create enthusiasm for and legitimacy of the political regime in the long term. The question is whether the Islamic regime is eventually doomed to fail?

Organization of the work

Chapter 1 deals with the theoretical framework of this work. Here the nature of the political system of Iran is defined. It further discusses elite theories, their strengths and weaknesses when applied to the Iranian political elite. Furthermore, this chapter introduces the critical theory of international relations (IR) and international political economy (IPE) and its related critical geopolitics approach. It is argued that foreign policy formulation is not only about foreign policy practices, political, and economic interests, but also about past experiences and a reflection of how a government and its society view the outside world, how a country is viewed by other governments and their societies, as well as the influence of other countries’ foreign policy practices. It finally discusses the role that ideology (politicized religion/Shi’ism) plays in policy making within Iran.

The Iranian Islamic revolution caused a fundamental change in the composition of the political elite in Iran, whose secular oriented members were replaced by mainly the clergy and religious laypersons. Chapter 2 analyzes the formal and informal power structures in the IRI since the Islamic revolution, the (changing) position of the different factions of the Iranian political elite on economic, socio-cultural, and foreign policy issues, their control of state institutions, as well as their economic resources. It also discusses the emergence of the different political factions since the Islamic revolution in 1979, their rivalries, alliances, and counter alliances up until the present day (December 2007).

As can be seen in chapter 3 the economy in Iran has been in a continuous crisis since 1979. Apart from the economic legacy of the Shah period, and increasing pressures both globally (e.g. sanctions imposed on Iran by the US) and domestically (huge unem-
ployment rate, large population of young people), the war with Iraq 1980-1988, and the country’s great dependence on the export of oil and gas to international markets have had constraining effects on the Iranian economy. Other constraining factors have been the lack of infrastructure, material, managerial, and institutional bottlenecks as well as the interests of certain elements within the political elite against liberalization and privatization policies. This chapter discusses the varying approaches of the different political factions on economic issues and the impact of the rivalries for power, between the factions, on economic developments since the Islamic revolution.

There are great differences in the socio-cultural outlook of the different political factions and, consequently, in the policies they pursue. When Ayatollah Khomeini had become supreme leader after the revolution, all social areas, such as, the school system, universities, and public law were Islamized. After Ayatollah Khomeini had died in 1989, and Hashemi Rafsanjani became President, gradually the legacy of Khomeini’s leadership was questioned among intellectuals. Large parts of the population urged socio-cultural reforms, which even intensified with the election of Mohammad Khatami as president in 1997, and again since Mahmoud Ahmadinejad has become president in 2005. Chapter 4 analyzes the various positions of the political factions of the Iranian political elite on selected socio-cultural issues, and the consequences of the rivalries between the different factions for socio-cultural developments in Iran from 1979 until today. It focuses on: the role and position of women in Iran since the establishment of the IRI; the situation of the public media; and intellectual debates on democracy, the role of religion in politics, and the role of the clergy in politics.

The foreign policy of the IRI is often described as being ideology ( politicized religion/ Shi’ism) driven. However, since the death of Ayatollah Khomeini in 1989, the end of the Cold War changes in international relations in recent years (9/11, the war in Afghanistan and its consequences, the war in Iraq in 2003 and its consequences) these factors carry less weight than during the rule of Ayatollah Khomeini. Chapter 5 explores foreign policy practices of the IRI that were dominated by the Islamic ideology during Khomeini’s leadership, but since President Rafsanjani have been influenced by pragmatism. Since the disintegration of the Soviet Union, preserving regional stability drives Iran’s foreign policy, especially towards its neighboring countries of the Persian Gulf, but also, CEA, Russia, China, and India. The aim of improving its economy has forced the Iranian policy-makers to improve economic relations with the West, especially the EU and to re-establish relations with the US, even at the expense of revolutionary principles.

Since the Islamic revolution it can be assumed that Iran needs the EU because of economic interests and its continuing difficult relationship with the US. For the EU, Iran is a potential supplier of oil and gas, as well as an important factor for stability in the Middle East, and therewith in its own backyard. Chapter 6 and 7 discuss the relations
between Iran and the EU since the Islamic revolution until today. **Chapter 6** focuses on the foreign policy of the IRI towards the EU and its main member countries with the most diplomatic and economic ties to Iran i.e. Britain, France, Germany, and Italy.

The EU is Iran’s largest trading partner. For Europe the disintegration of the Soviet Union meant that security policies have gained in importance over economic relations. This is particularly so considering its concern for the security of oil and gas supply. Despite political-diplomatic differences in the last decades the points of contact between Iran and the EU have become more varied and interaction has increased, particularly on the inter-societal level. **Chapter 7** analyzes the four main policy initiatives towards Iran taken from the EU since the beginning of the 1990s, namely (1) Iran-European Union Energy Policy Dialogue; (2) Iran-European Working Group on Trade and Investment; (3) Iran-European Union Human Rights Dialogue; (4) the proliferation of nuclear weapons. It is also interested in why the individual EU member countries follow specific, sometimes contrary, policy strategies towards Iran and what effects this has on developing a joint EU policy on Iran.

The study ends with a general conclusion.

This study aims to contribute to a better understanding of Iran since the Islamic revolution. The Iranian society, like all other societies, is a complex one that cannot simply be defined as “fundamentalist” or “backward oriented,” just because its political regime is based on politicized religion. Both on the elite and on the public level, ideas on economic, socio-cultural, and foreign policy issues range from very conservative to very progressive in Iran. This makes it very difficult to get a clear picture of what is the driving force behind a specific policy, and whether this policy has legitimacy among the majority of the people. The analysis of domestic and foreign policy in Iran are not separate undertakings. As will be shown, both are interrelated and cannot be analyzed isolated from each other.
Chapter 1
Theoretical Framework

1.1 Introduction
Governments are different from each other, as are societies, both in their political and in their daily life. Yet, governments and societies are not that different, making it impossible to find categorizations that would cover the nature of various political systems under one notion. To better understand the nature of a political system, one has to look at both the similarities between, as well the uniqueness of, governments and societies.

An important element of power in a society is the political elite. Many studies on political elites have been carried out on industrialized and developing countries, the latter particularly since the period of de-colonization in the 1950s-1970s. However, studies of elites have, thus far, been unable to develop a coherent theory that would also include other factors, such as the impact of ideology (politicized religion/Shi’ism), or the pressures from external forces on policy formulation. To label the nature of a political system, however, does not by itself provide a better understanding of the power relations in a country. Yet, the knowledge of the power relations in a society alone will not give us a clear understanding of how domestic and foreign policy is formulated.

Therefore, this chapter is interested in the following questions: who has power in a society? What is the position of elites and their related institutions in society? What other factors play a role in domestic and foreign policy formulation, such as the impact of ideology (politicized religion/Shi’ism)? What is the place of geopolitics in foreign policy formulation?

This chapter describes the theoretical framework of the work. It first discusses the nature of the political system in Iran. Then, it analyses elite studies in general and those on Iran in particular. In the following, it conceptualizes the composition of the political elite in the Islamic Republic of Iran (IRI). It finally stresses the necessity to integrate the concept of geopolitics into foreign policy analysis. Here, the conventional approach to geopolitics is criticized and a new approach, called “critical geopolitics,” is suggested, as part and parcel of the critical theory of IR and IPE theories. It then puts the concept of critical geopolitics in relation to the case of Iran, with special focus on the role of politicized religion (Shi’ism) in the formulation of the IRI’s foreign policy.

1.2 The Nature of the Political System in the Islamic Republic of Iran
The IRI is unique in a sense that it combines a semi-theocratic mode of rule based on the velayat-e faqih system (the Governance of the Jurist, see chapter 2.2), institutional-
ized according to the constitution of 1979, with a constitutionally based rule of the people based on the constitution of 1906. According to Chehabi (2001), the IRI has characteristic features, which are inherent in both totalitarianism and authoritarianism.

In this research I will use Juan Linz’ categorization of political systems in *Totalitarian and Authoritarian Regimes* (1975/2000). In his theorization of totalitarian and authoritarian regimes, in contrast to democratic ones, Linz brings forth the concept of pluralism as an important feature of authoritarian regimes. That is, pluralism is not only a feature of democratic political regimes. In general, Linz distinguishes between two types of political systems: democratic and non-democratic political systems. A political system is democratic:

“when it allows the free formulation of political preferences, through the use of basic freedoms of association, information, and communication, for the purpose of free competition between leaders to validate at regular intervals by nonviolent means their claim to rule; a democratic system does this without excluding any effective political office from that competition or prohibiting any members of the political community from expressing their preference by norms requiring the use of force to enforce them” (Linz 1975/2000: 58).

Among the non-democratic political systems Linz distinguishes between totalitarian and authoritarian political systems. According to Linz a political system is totalitarian when it has:

“an ideology, a single mass party and other mobilizational organizations, and concentrated power in an individual and his collaborators or a small group that is not accountable to any large constituency and cannot be dislodged from power by institutionalized, peaceful means” (Linz 1975/2000: 67).

While each of these characteristic features can also be found in authoritarian systems, it is the combination of these features that make a political system totalitarian. Authoritarian political systems are:

“political systems with limited, not responsible, political pluralism, without elaborate and guiding ideology, but with distinctive mentalities, without extensive nor intensive political mobilization, except at some points in their development, and in which a leader or occasionally a small group exercises power within ill-defined limits but actually quite predictable ones” (Linz 1964/1970: 255).

In Linz’ understanding what distinguishes authoritarian regimes most from totalitarian regimes is pluralism. In contrast to democracies, however, where we can speak of an almost “unlimited” pluralism, in authoritarian regimes the pluralism is “limited.” Furthermore, in authoritarian regimes the groups in power are not legally or de facto accountable to society (Linz 1975/2000: 161).
In this study I use the concepts of totalitarian, authoritarian, and democratic regimes as ideal types based on Max Weber. An ideal type:

“brings together certain relationships and events of historical life into a complex which is conceived as an internally consistent system [...] this construction itself is like a utopia which has been arrived at by the analytical accentuation of certain elements of reality [...] it is no hypothesis but it offers guidance in the construction of hypotheses. It is not a description of reality but it aims to give unambiguous means of expression to such a description [...] An ideal type is formed by the one-sided accentuation of one or more points of view and by the synthesis of a great many diffuse, discrete, more or less present and occasionally absent concrete individual phenomena, which are arranged according to those one-sidedly emphasized viewpoints into a unified analytical construct” (Weber 1904/1949: 90).

In the first ten years after the Islamic revolution (1979-1989), the IRI had many characteristics of a totalitarian regime: a charismatic leader, Khomeini as both the highest religious and political authority; an ideology, with at its core the velayat-e faqih system, as developed by Ayatollah Ruhollah Khomeini; and one party, the Islamic Republican Party (IRP). Can we therefore speak of the IRI as being a totalitarian state? This is already debatable when looking at the basic jurisprudence of the IRI, which is Islamic jurisprudence (fiqh). Islamic jurisprudence addresses mainly issues that fall into the realm of private law, but not public policy. This means, that the political elite in Iran has to invent many of the rules and regulations with reference to a jurisprudence that does not actually address these issues. Therefore, rules and regulations can be as varied as the interpretations of Islam itself and lead to disagreements among the Iranian political elite (Chehabi 2001: 56).

That is, different interpretations of Islam among the Iranian political elite have prevented the development of a coherent ideology on which the IRI could be based. In contrast, disagreement, among the members of the political elite, on how to interpret Islam regarding economic, socio-cultural, and foreign policy issues, and thus pluralism, was built into the political system right from the beginning of the existence of the IRI (Chehabi 2001: 59). This also explains why the IRP, established in 1979, which brought together many different ideas on how to govern social relations in the IRI, ceased to exist in 1987 (see further chapter 2.6.1).

Furthermore, since the death of Khomeini the significance of the Islamic ideology has been constantly decreasing and gradually, especially when Mohammad Khatami was elected president in 1997, even the core element of the Islamic ideology, the velayat-e faqih system, has become subject of debate. As a result the Islamic ideology has actually become less relevant for policy-making in Iran. Furthermore, Khomeini’s successor, Ayatollah Ali Khamenei, does not have the same religious standing and, therefore, does not have the same authority among the population in general and the clergy in particular. Above this, since 1989, there has been to a certain extent some sharing of power between supreme leader and president.
Is it then the authoritarian model, as an ideal type, which fits the Iranian political system best? Chehabi argues the limited pluralism in Iran falls between the post-totalitarian systems of Eastern Europe and “classic” authoritarianism. In the post-totalitarian systems in post-Stalin Eastern Europe, the institutions and groups sharing political power emerged out of the political structure that had been created by the communist system itself. In “classic” authoritarianism, these institutions and groups emerge out of pre-existing political structures (Chehabi 2001: 63). The latter is what Linz (1975/2000: 143-145) calls “traditional or semi-traditional authority,” i.e. political systems with patrimonial or feudal characteristics, or political systems where these traditional structures are combined with modern political structures.

In Iran, power relations are products of the political system of the IRI (the velayat-e faqih system based on the Constitution of 1979), the legacy of the Constitutional Revolution (1905-1911) (the republican institutions of the legislative, executive, and the judiciary), and the traditional social structures (particularly the bazaar networks). The constitution of the IRI is both a reflection of the first Iranian constitution of 1906, as well as the ideas of Ayatollah Khomeini. Until now there is no clear distinction of competencies and jurisdiction between the political institutions and groups in power in the IRI (Chehabi 2001: 62). At the same time it has to be noted that Iran is unique among non-democratic regimes, having regular parliamentary and presidential elections with a (limited) choice of candidates, as well as relatively open discussions in parliament (Chehabi 2001: 64). In conclusion, Chehabi argues that the nature of the political system of the IRI is a mixture of totalitarian, authoritarian, and democratic tendencies, but that it is the authoritarian model that is the most accurate description of the political system in Iran. This study is in agreement with Chehabi in his conceptualization of the nature of the political system of the IRI. However, in this analysis a distinction between two periods will be made:

(1) The first ten years of the IRI when Khomeini was the supreme leader and
(2) The last almost twenty years.

4. The bazaars have a long history in Iran, dating back to the 5th century B.C. Over the centuries they developed into big communities with shops, teahouses, restaurants, bathhouses, mosques, and religious schools, and also into financial centers, with their own banking, credit and investment systems. The Grand Bazaar in Tehran is both a stock exchange and a commodities market. The market stalls on the bazaar hide the real activities of the bazaaris. Until a unified system of multiple exchange rates was introduced in Iran in March 2002, the bazaaris acted as moneylenders and bought currency at lower rates than the free market. There has always been a close relationship between the clerics and the bazaaris. The clerics needed the bazaaris to fund mosques and religious schools and the bazaaris needed the clerics to keep their social position in the Iranian society. Both their wealth and their links with the clerics give the bazaaris enormous political power. The bazaaris played an important role in overthrowing the Shah's regime and bringing Khomeini to power in 1979. The strong relationship between the bazaaris and the clerics, in recent times, has been receding due to the introduction of a unified system of multiple exchange rates, anti-profiteering campaigns against the bazaaris, and the overall crisis of the Iranian economy since the Islamic revolution. For more information on the bazaar in Tehran and the bazaaris involvement in politics see Keshavarzian, A., Bazaar and State in Iran-The Politics of the Tehran Marketplace, (Cambridge: Cambridge University Press, 2007).
The first decade after the Islamic revolution differs from the rest, as during this period the Islamic ideology was the strongest influence on the formulation of policy for economics, socio-cultural issues, and foreign affairs, whilst in the following decades it has been decreasing. To make this distinction is important because, as will be shown in the following chapters, the influence of the Islamic ideology on policy formulation in the first ten years after the revolution and its decreasing influence in the following almost two decades, is a pattern repeated across economics, socio-cultural issues, and foreign policy in the IRI.

Therefore, this study argues that, between 1979 and 1989 the political system of the IRI was closest to the totalitarian model, whilst, since 1989 the authoritarian model with some limited democratic features holds more true.

Explaining the nature of the political system of the IRI, however, is not sufficient by itself, in providing a better understanding of the power relations in the country. We also have to answer the following question: What is the position of elites in a society in general and in Iran in particular?

1.3 Studies of the Political Elite

Therborn (1999) distinguishes between three approaches to studying power relations in a society: (1) what he calls the “subjectivist approach;” (2) the “economic approach;” and (3) the “structural-processual” or “dialectical-materialist” approach.

The subjectivist approach is the classical analytical framework among elite theorists. It looks at who has power in a society. Representatives of this approach are: Vilfredo Pareto (1916-23 [1935]), Gaetano Mosca (1939), Robert Michels (1925 [1911]), C. Wright Mills (1956/59), and Robert Dahl (1961/1996). They can also be categorized as ruling class theorists and pluralists (Therborn 1999: 225). Classical elite theorists like Pareto, Mosca and Michels, and modern elitists like Mills and Dahl tried to show that democracy is a myth and that in reality it is a small elite that governs. The concept of political elite, as it was presented by Pareto, Mosca, and Michels, formed part of a doctrine that was critical of, and opposed to, democracy and even more to modern socialism. In *The Mind and Society* (1935), Pareto describes that the elite is made up of a group of people who have the best qualifications in their field. The elite consists of individuals that directly or indirectly play an important role in the government, such as ministers, senators, members of parliament, judges, generals and colonels. But also individuals, that because of wealth, family, social contacts, or political ideas, are included as part of the governing elite. Below the elite are the non-elite (Pareto 1935: 246, 2027-2036; Pareto 1976: 51-71). With reference to elite change, Pareto uses the concept of the “circulation of elite,” but does not make a clear distinction between the governing elite and the non-elite. According to him, the governing elite are gradually replaced by families that come from the lower classes who belong to the non-elite. Because of this circulation the governing class is changing continuously. Pareto related his theory of elite mainly to psychic characteristics. Based on Niccolò Machiavelli’s famous book, *The Prince*
Pareto argued that members of the governing class are either foxes, with great intelligence and fantasy, or lions, with great power. According to Pareto, politics needs both but policy-making depends on the composition of the governing elite. If the majority of the governing elite are foxes, they rule the country based on consent. If they are lions, they rule by means of force (Pareto 1935: 888, 2178, 2480).

Mosca was the first to make a systemic distinction between elites and the masses. In *The Ruling Class* (1939), he puts the concept of elite in relation to other social groups in society. He argues that two classes, a class that rules and a class that is ruled characterize every society. The first class is always less numerous than the second class. Its rule over the majority of society can be explained by the fact that the ruling class is organized, whereas the ruled class is not. Additionally, the members of the ruling class have certain attributes that make them superior and, therewith, more influential in society than the masses (Mosca 1939). The organized minority of the ruling class imposes its will on the unorganized majority. Mosca distinguishes between two groups within the ruling elite: the highest layer of the ruling elite consisting of only a few people; and a layer of a larger number of people that contains all the capabilities for leadership in a country. The political stability of a society depends on the level of morality, intelligence, and activity of this second layer of the political elite. Intellectual or moral shortcomings within this group pose a much greater threat to the political structure than similar shortcomings among the small number of people that belong to the highest layer of the governing class. The most important precondition to climb up the social ladder is not being the smartest or most moral person, but hard work and ambition. Elite change takes place when: a new source of welfare develops; the practical interest in knowledge grows; an old religion declines or a new emerges; or when a new stream of ideas spreads. According to this view, the history of civilized people is based on the conflict between those elements that try to monopolize power, and diffuse property, and the emergence of new forces from the majority to gain power (Mosca 1939: 65, 404, 450).

Another representative of the classical elite theorists is Robert Michels. In his early years Michels was a follower of Jean-Jacques Rousseau’s ideas on the participation of citizens in democracy, sovereignty of the people, and the general will (*volonté générale*) (Rousseau 1762/1966). Later Pareto and Mosca and their idea of the inevitability of elites influenced him. In his book *Zur Soziologie des Parteiwesens in der modernen Demokratie* (1911), he developed his idea on the inevitability of organization as well as the inevitability of oligarchy (government of the few in an organization): “Wer Organisation sagt, sagt Tendenz zur Oligarchie” (Michels 1925: 25).

Since Max Weber elite theorists use a multidimensional approach to the study of elites. They no longer apply the concept of classes but concepts of status, occupational position or socio-economic background, or refer to market or work situation, such as occupation, prestige, income, and education to define the configuration of the elite in a society. Max Weber’s political theory published in *Die drei Reinen Typen der legitimen Herrschaft* (1968) is well known for his contribution to the analysis of authority and
bureaucracy. He distinguished between three “pure” types of authority: (1) traditional authority, (2) charismatic authority; and (3) legal-rational authority. Traditional authority is legitimized by custom and long-revered social norms. It is related to traditional organizations such as patriarchal kinship units. Charismatic authority is legitimized by the personality of the leader. It is related to charismatic movements such as early Christianity or political Islam. Legal-rational authority is legitimized in a modern society by the rule of law and the right of the rulers to issue commands. The legal-rational authority is closely connected to the functioning of elites. Its organizational basis is bureaucracy (Weber 1968: 475-488).

The American sociologist C.Wright Mills mainly wrote about elite configurations in the US in the 1950s. In his book *The Power Elite* (1956/59), he argues that only the position of an individual in large institutions determines whether someone becomes a member of the elite. According to Mills, the elite in the US has an economic, political, and military origin. These three domains are expanding and centralizing. At the top of these expanding and centralizing domains, the economic, political, and military elite develop. The leading figures in each of these three domains together form the power elite of the US. Thus, one’s institutional position determines, to a great extent, whether one belongs to the power elite or not (Mills 1956/59: 3-11). The structure and interests of the institutional hierarchies are interwoven. The unity of the power elite is based on co-ordination. That means the power elite can promote its interest much better by cooperating on formal and informal levels (Mills 1956/59: 19-20).

Mill’s theory can be related to neo-corporatism. The author’s writings on neo-corporatism state that governmental elite, semi-government, firms, and trade unions have close contacts, and influence each other, in the governmental decision-making process. They stress that these corporatist arrangements often pass by democratic institutions and procedures (Schmitter and Lehbruch 1979).

According to the pluralists of the subjectivist approach, the state consists of a number of relatively autonomous political, economic, and other organizations within the domain of the state. Pluralism is influenced by Schumpeter who, in his book *Capitalism, Socialism and Democracy* (1942/1987), refers to democracy as a competition for the votes of the electorate i.e. democracy is:

“that institutional arrangement for arriving at political decisions in which individuals acquire the power to decide by means of competitive struggle for the people’s vote.”

Similarly Karl Mannheim argues that theories of elites and democracy are compatible:

“the actual shaping of policy is in the hands of elites; but this does not mean that the society is not democratic. For it is sufficient for democracy that the individual citizens, though prevented from taking a direct part in government all the time, have at least the possibility of making their aspirations felt at certain intervals […] It would be wrong to overestimate the stability of such
elites in democratic societies, or their ability to wield power in arbitrary ways. In a democracy, the governed can always act to remove their leaders or to force them to take decisions in the interests of the many” (1956, part III: 179).

He emphasizes the reduced distance between the elite and the masses in a democracy:

“We assume that democracy is characterized, not by the absence of all elite strata, but rather by a new mode of elite selection and a new self-interpretation of the elite […] What changes most of all in the course of democratization is the distance between the elite and the rank-and-file. The democratic elite has a mass background; this is why it can mean something for the mass” (Mannheim 1956: 200).

An elite theorist, who belongs to the group of the pluralists, is the American political scientist Robert Dahl. He argues that there is not only one but a number of political elites. Dahl introduced the term “polyarchy”, as he considers democracy an unreachable political system. According to Dahl the difference between a polyarchy and a dictatorship is that in a dictatorship the government consists of a minority, while a polyarchy is a government of minorities. In an article in 1996, titled *Equality versus Inequality*, Dahl states that democracy and market capitalism are two powers, which in terms of political equality pull in different directions. The extent to which political equality and democracy can be realized depends, among other things, on the distribution of the access to political sources (e.g. money, property, reputation, status, and knowledge) and the readiness to use these sources to realize one’s own goals.

While the subjectivist approach is valuable in analyzing the composition of elites, it does not help to understand the direct and (especially) indirect interaction between the political elite and the rest of society, as well as in what way a political elite contributes to or slows down economic reform and democratization.

The economic approach among elite theories is mainly concerned with what is the capacity of elites to reach their goals. It is not about the distribution but the accumulation of power. Representatives of this approach are Talcott Parsons, *Sociological Theory and Modern Society* (1967), and Samuel P. Huntington, *Political Order in Changing Societies* (1968). The economic approach can be distinguished into a sociological and a utilitarian version, both based on liberal economics. The sociological variant, of which Parson is a representative, considers power to be a product generated by social relationships or the realization of “collective goals” (Parsons 1967: 308). The utilitarian variant, of which Huntington is a representative, claims that as in market relations, the power of all actors increases when all parties gain from collective action (Therborn 1999: 225-226). The problem with the economic approach is that within it both class and power are irrelevant (Therborn 1999: 226).

The structural-processual approach proclaimed by Therborn is based on historical
The Iranian political elite

Marxism. This approach is not so much interested in who has power, and for what, but what are the effects of power upon a particular society, and on reproduction and change (Therborn 1999: 226). He therefore argues:

“rulers and ruling classes would be better identified not by their names and numbers, their social background and power career—although all this is of course not without importance— but by their actions, that is by the objective effects of their actions” (Therborn 1999: 228).

Furthermore he states:

“What all kinds of subjectivist elite and ruling class theorists are unable to do is to account for social change [...]. [T]he classical elite theorists [...] all basically held that society did not change [...]. Ultimately they tended to reduce people and human society to biology. Now, though men certainly are biological organisms, it is an obvious fact that human society has changed over the ages of its existence and has taken a number of forms. The task of a social science must necessarily be to analyze these different historical forms and their change. This cannot be done by taking the subjects of power, their psyche, their will, as the starting point, but only by taking the social context in which they rule” (Therborn 1999: 228-229).

While Therborn makes a valuable categorization of the different approaches in the study of elites, he fails to make a systemic distinction between theories that study elites in industrialized countries and theories that study elites in developing countries. This distinction is important, as power relations between state and society in countries where a comprehensive industrialization has taken place differ from countries where industrialization has failed, or only partly been successful. Industrialized countries are usually characterized by a certain extent of cohesion, whilst developing countries often exist in a socially fragmented society. That means, in the latter case, that although the political elite may have powerful forces on their side, it is confronted with the conflict between traditionalist and modernist forces within society at large (Amineh 1999). This puts great pressure on the activities of the political elite and the choices they make.

Furthermore, Therborn states that it is not the background and ideology of the individual members of the political elite that has to be taken as the basis of analysis, but the “social context in which they rule.” It is necessary to define here what is meant by social context. While elite theories usually focus on the nation state level, we should not forget the international context as an important variable in the study of elites and their actions. Additionally, what is missing in Therborn’s categorization of elites is the different conceptualizations of elites between: theories that only consider individuals

5. In the classical Marxian theory the conflict of social classes is the determining factor to produce change of the social structure. Here, classes are people who occupy a position in society defined by the relations of production.
that actually exercise power as members of the elite; and those theories that include, into the concept of elite, people who can have an indirect influence on political decision making. This also implies that, in contrast to the elite theories mentioned above, members of the elite do not necessarily have to control the power resources of a society to be influential, but can also have indirect influence on policy-making through participation in the political discourse.

An elite theorist who represents this latter category is the sociologist Tom Bottomore. In his book *Elites and Society* (1964/1993), he conceptualizes elites in general terms as functional, occupational groups that have, for various reasons, a high status in society. The elites can be analyzed according to their size, the number of different elites and their interrelations with political groups. Following Mosca he uses the term “political class”:

“to refer to all those groups which exercise political power or influence, and are directly engaged in struggles for political leadership” (Bottomore 1964/1993: 7).

This also includes counter elites or oppositional forces to the government, like leaders of political parties, representatives of trade unions, groups of businessmen, intellectuals etc. That means the political class comprises of various social groups that may cooperate, but also compete or stand in conflict with each other (Bottomore 1964/1993). This argument can also be found in the work by H.D. Lasswell, *Politics: Who Gets What, When, and How* (1952), who makes a distinction between the political elite and other elites that are not as closely associated to the exercise of power but can have a significant influence in society.

This is especially important for the case of the IRI, where a discourse has emerged between politicians, religious lay, clerical public intellectuals, and reform leaders on economic, socio-cultural, and foreign policy issues. Some politicians and intellectuals, especially, do not accept the *velayat-e faqih* system in its current form or reject it totally. The latter clearly aim to give more power into the hands of the people through elections and strive for a secularization of the political system. Who then has power in the IRI?

### 1.4 The Iranian Political Elite

There already exists an extensive literature on pre- and post-revolutionary Iran dealing with religion, Islam as political ideology, democracy, economics, and foreign relations. Major studies on the Iranian elite and class/groups relations have been made by James A. Bill, *The Politics of Iran-Groups, Classes and Modernization* (1972), Marvin Zonis, *The Political Elite of Iran* (1976), and Wilfried Buchta, *Who rules Iran? - The Structure of Power in the Islamic Republic* (2000). All three authors can be categorized among the pluralists of the subjectivist elite theorists. Bill’s research is an interesting account of Iranian elite and class/groups relations since the rise of the Persian Empire of Safavids (1501-1722) until the period of Mohammad Reza Shah (1941-1978/9). Zonis
has undertaken an in-depth study about background, education, and power relations of the Iranian political elite under Mohammad Reza Shah. As far as is known, Buchta’s book is the only one that analyzes the composition and power relations of the post-revolutionary Iranian elite since 1979. In his study of the post-revolutionary Iranian political elite, Buchta departs from the assumption that the Iranian power structure is characterized by a multitude of often autonomous power centers and not dominated by a single group or person (Buchta 2000: 2). His main argument is that to analyze the power structure in Iran one has to look at both the formal and informal power structure. The formal state structure is based on the constitution and governmental regulations, and manifests itself in state institutions and offices, as well as individuals according to their position in these institutions. Many members of the political elite gain their position in the political power structure thanks to personal patronage links. Sometimes, individual members of the political elite are more powerful than it might be assumed from their formal position. This is what constitutes the informal power structure. The decision making process is not only based on the formal governmental structure but also on the informal personal networks within the Iranian political elite (Buchta 2000: 7) e.g. depending on what political faction an individual belongs to and which political faction is dominant in a certain period of time. Similar to Buchta, Zonis argues that only looking at the formal power structure is not sufficient to analyze the decision-making process in a political system where personal linkages are stronger than institutional ones:

“In a political system where institutions are not paramount but where individuals in their interactions constitute the essence of the political process, the souls of men, or their personalities [...] are of primary importance” (Zonis 1976: 10).

Zonis defines the political elite in Iran during Mohammad Reza Shah’s reign as:

“those Iranians who more or less persistently exercise power over significant behavior of large numbers of people with regard to the allocation of highly prized values in the national political system” (Zonis 1976: 7).

In their study of the political elite during the reign of Mohammad Reza Shah and after the Islamic revolution, both Zonis and Buchta take into account what Zonis calls the “counter elite” and Buchta the “semi-opposition.” Buchta considers the semi-opposition to be part of the informal power structure. The role of those individuals in this stratum is to mediate between the political regime and society. The semi-opposition includes intellectuals such as Abdolkarim Soroush, the Freedom Movement of Iran or Islamic women’s

rights groups (Buchta 2000: 9, diagram 2). Zonis distinguishes between the Shah with his political elite and the counter elite i.e., those that are considered to be opposed to the present elite and, therewith, also to the political regime. Consequently, the counter elite are subject to continued pressure from the regime (Zonis 1976: 39). Buchta and Zonis give a valuable overview of the composition of the pre- and post-revolutionary elite, but they fail to analyze the dynamism of elite change and consequently social change.

Bill analyses the processes of social change and modernization from a historical perspective. Central to his study are the changing class and group relations in the Iranian society. He goes a step further than Buchta and Zonis, as he looks at to what extent the dynamism of a changing society is closely connected to the interaction of class structure and the political system. Bill gives an interesting overview on how groups and class relations in Iran have changed or persisted over time. Like Buchta and Zonis, however, he sees Iranian social relations separate from global developments, and does not consider their effects on state and society relations and policy formulation.

This study will use the concept of the “politically relevant elite” (Perthes 2004: 5-7) to define the political elite in the IRI. The concept is similar to Buchta’s categorization of the Iranian political elite. Like Buchta’s categorization, the concept of the politically relevant elite includes those individuals who, through their position in state institutions, take decisions on domestic and foreign policy, or are actively involved in policy formulation. It also includes those figures that participate in defining norms and values, and have a decisive influence on public debate over strategic subjects. To the politically relevant elite belong, not only members of the government, but also politicians in opposition, journalists, high bureaucrats, members of the security institutions, leading economists, non-establishment clerics, intellectuals etc. That means, the politically relevant elite consists not only of those people who have power according to their position in state institutions but also of those individuals that influence or attempt to influence the political discourse.

Analytically, we can distinguish, like Buchta (2000 diagram 2) does, between three concentric circles of the politically relevant elite in Iran, each of which has a different degree of political influence. The inner circle elite comprise those members of the politically relevant elite who have the power to take strategic decisions or to block them. Strategic decisions can have a domestic or foreign policy character. Strategic decisions are also those, which directly or indirectly influence the priorities of state policy. To the second circle, the administrative elite, belong those members of the politically relevant elite who have a decisive influence on strategic decisions, or can take political decisions of less relevance. The third circle, the discourse elite, consists of those who directly or indirectly influence policy formulation by determining the political discourse and participate in “agenda setting” (Perthes 2004: 5; Reissner 2002).

In Buchta’s categorization, the different political factions of the political elite cut across the three circles. In the politically relevant elite approach, individuals can belong to several circles at the same time. For example, one can belong to the inner circle as
well as the discourse elite, such as former President Khatami. Members of the discourse elite, especially, introduce new ideas and demands for reform into the political discourse, and therewith, challenge the status quo of the political power structure. Therefore, it can be argued that there is a continuing conflict between the inner circle and the discourse elite in Iran (Reissner 2000). For example, more recently lay and clerical public intellectuals (e.g. Abdolkarim Soroush, Mohammad Mojtabeh Shabestari, and Mohsen Kadivar) and public intelligentsia (e.g. Abbas Abdi, Akbar Ganji, and Saeed Hajarian) question the *velayat-e faqih* system, the very foundation of the Islamic ideology and of the power relations in Iran. Also the women’s movement in Iran and the critical press has had a decisive influence on the political discourse in Iran.

While the concept of the politically relevant elite is useful in giving an overview of the structure of power relations in Iran, including those who actually have power and those who directly or indirectly influence the political discourse, it falls short as it does not set power relations in relation to domestic and foreign policy formulation and how they come about. This leads us to the following questions: What other factors play a role in policy formulation? What is the place of geopolitics in foreign policy formulation? What is the impact of ideology (politicized religion/Shi’ism) on policy formulation?

### 1.5 Foreign Policy and Geopolitics

The term “geopolitics” finds its origins in the realist school of International Relations (IR), according to which, states are the sole actors in international relations and struggle for dominance in an anarchic world. The Swedish political scientist, Rudolf Kjellén, used the term in the late 19th century for the first time, to describe the interconnection between geography and politics. The British geographer, Halford Mackinder, then further developed it in the early 20th century. Being confronted with the decline of British hegemony he predicted that land powers would overtake sea powers and that the “Eurasian landmass” would rise as the world’s heartland, if not checked by Britain and its allies (Mackinder 1904; 1919). In the 1920s and 1930s, German geographers used the term to justify Nazi Germany’s expansion towards the East. After the Second World War, the geopolitical discourse was applied both by governments and citizens to define their state’s position in the world in the Cold War context. The term geopolitics, however, was avoided, because of its association with Nazi Germany. Instead, terms like “national security,” “containment,” and “deterrence” were used. During the Cold War the international system was generally understood as a bipolar world with a conflict between the two superpowers, the US and the Soviet Union, carried out in a traditional balance of power politics (Amineh 2003: 18-19).

However, to study the foreign policy of a state does not imply only looking at foreign policy practices but also at how certain representations of space are incorporated into foreign policy practices. Agnew and Corbridge argue that the description of a foreign policy situation alone is in itself an act of geopolitics. The geographical identification of a place, and the labeling of it in a certain way, brings about specific visions and ideas
about that place and the policies it pursues. To categorize a geographic area as “Islamic” or “Western,” for example, also implies to have certain ideas about its foreign policy practices (Agnew and Corbridge 1995: 47-48).

The critical theory\(^7\) and critical geopolitics\(^8\) approach of IR and IPE might help us to solve this problem, as they reject the agency-structure dualism, a-historic structuralism and determinism in the analysis of the world politics and historical structure of IR. They believe in the transformative character of the world and assume that any social structure has its limits. This stands in contrast to (neo-)realism\(^9\), institutionalism/pluralism\(^10\), structuralism\(^11\) and traditional geopolitics, all of which have a static view on social relations, considering certain components of a social system as unchangeable, e.g. the state. Critical geopolitics and critical theory go beyond IR and IPE theories in that they analyze “dynamic systemic change,” thus they take an historical perspective on international relations. The most important aspect of the critical theory approach is that it believes in the transformative abilities of human beings and that collective human action leads to historical transformation. As Robert Cox (1994: 3), states:

“[A]gency is conditioned by prevailing structures. But structures are the product of history. They are the cumulative result of how people collectively respond to the conditions of their existence - i.e. structures are shaped over time by agency. This process does not take place in an abstract vacuum but is realized under specific historic circumstance.”

Critical geopolitics adds to this the geographic dimension in analyzing complex systemic realities. It not only looks at the “material spatial practices” that constitute the global political economy but also the way they are represented and contested (McHaffie 1997: 73-86).

The representatives of critical geopolitics take state-society relations as the unit of analysis. According to this view state-society complexes come into interaction through their (foreign) policies. By these interactions they create a “system level of social order” (Amin and Houdenhuy 2004/2005: 11). Since the mid-19th century, the system-level of social order is characterized


As we can see in figure 1.1, to study the foreign policy of a country does not imply only looking at foreign policy practices and the political and economic interests of political actors, but also, at how certain representations of space are incorporated into foreign policy practices. Actors in state-society complexes legitimize foreign policy by presenting the public with certain assumptions of other states and regions beyond their borders (Taylor 1993; Dijkink 1998). These assumptions of other states and regions can also be called “geopolitical visions” that is:

“any idea[s] concerning the relation between one’s own and other places, involving feelings of (in)security or (dis)advantage (and/or) invoking ideas about a collective mission or foreign policy strategy” (Dijkink 1996: 10)

Assumptions about other states and regions emerge out of how the political elite of a society has defined its own state and its role in the world. This is what Campbell has called “geographical imagination”:

“A geographical imagination […] can be defined as the way in which influential groups in the cultural life of a state define that state and nation within the world. It addresses the primary acts of identification and boundary-formation that population groups within a state engages” (Campbell 1992 in ÓTuathail 2004: 84).

That means, geographic imagination may in part be related to resources in specific locations, and in part cultural aspects that separate or unite domestic and external societies. Past experiences will also frame foreign policy (Amineh & Houweling 2004/2005: 13).

Geographical imagination is the basis of the “geopolitical culture” of a state. Geopolitical cultures are the product of the cultural and organizational processes that shape foreign policy in a state. But a geopolitical culture is not homogenous. Conflicts among the political elite, based on different political and/or economic interests:

“produce a geopolitical culture that is powered by division and contradictory impulses and drives” (ÓTuathail 2004: 85, 87).

Geopolitical cultures are also characterized by “geopolitical traditions” that compete in the interpretation of a state's position in international relations:

\(^{12}\) Sequential industrialization (SI) is the “long-term history of socio-economic and political transformation from agricultural-based economies and civilizations into industrial-based economies and civilizations of, sequentially from first to last, a part of Europe, the English colonies (America, New Zealand, and Australia) and Western Europe, Eastern Europe, and finally a number of so-called Third World countries. At the same time, the SI era is the period of reactive state formation, nation building, and efforts to close the productivity-power gaps between those who succeed and those who fail to transform” (Amineh 2007: 4)
“A geopolitical tradition is a historical canon of thought on state identity, foreign policy, and the national interest, which is usually defined in opposition to alternative traditions” (Ó’Tuathail 2004: 88-89).

Furthermore foreign policy practices are also influenced by external elements, namely by the geopolitical visions of other countries as well as other countries’ foreign policy practices.

The factors influencing foreign policy formulation as developed in figure 1.1 can be applied to the case of Iran since the Islamic revolution and have been visualized in figure 1.2.

**Figure 1.1. Factors of Foreign Policy Practices**
In Iran geopolitical traditions have, over the last 200 years, been greatly influenced by the country’s experiences of foreign intervention. The Tobacco revolt (1881-1882), the Constitutional revolution (1905-1911), the Oil Nationalization Movement of Prime Minister Mosaddeq (1951-1953) and, finally, the Iranian Islamic revolution (1978-1979), were all events that partly can be explained as reactions to the domination of Iran by foreign powers and exploitation of the country’s wealth and resources by foreign powers and companies. These events were closely connected to Iran’s historical experience of foreign influences and penetration: first, the rivalry with other empires (e.g. the Ottoman Empire); and second the interference into its internal affairs during the last 200 years by France, Russia, Britain, and the United States (US). They were

13. In the 19th century the Qajars granted concessions to Britain for tobacco. Mirza Hassan Shirazi, the marja-e taqlid at the time, issued an edict, which forbade Shi’ite Muslims in Iran from smoking tobacco. Because of great public pressures, the government finally withdrew the concessions. For the role of the clergy in the Tobacco Movement see further Keddie, N.R. Religion and Rebellion in Iran: The Tobacco Protest of 1881-1882, (London: Frank Cass, 1966).


15. In the beginning of the 1950s, Prime Minister Mohammad Mosaddeq nationalized the British owned and operated Anglo-Iranian Oil Company. He was removed from power by a coup in 1953 of Mohammad Reza Shah, in cooperation with the British and US intelligence agencies, see further Gisiorowski, M. and M. Byrne Mohammad Mosaddeq and the 1953 Coup in Iran–Modern Intellectual and Political History of the Middle East, (Syracuse: Syracuse University Press, 2004); Katouzian, H. Musaddeq and the Struggle for Power in Iran, (London and New York: I.B. Tauris, 1990); Mosaddeq, M. Musaddeq’s Memories, (ed.), introduced by H. Katouzian, (London: JEBHE, 1988).


17. On the involvement of Western powers in Iran since the 19th century see: Curzon, G. Persia and the Persian Question, (London: Longman, Green, 1892); Lenczowski, G. Russia and the West in Iran (1918–1948): A Study in Big Power Rivalry, (Ithaca, N.Y.: Corneall University Press, 1978); Rezun, M. The Soviet Union and Iran: Soviet Policy in Iran from the beginnings of the Pahlavi Dynasty until the Soviet invasion in 1941, (Institut Universitaire de Hautes Etudes Internationales, Collection de Relations Internationales, 1981); Rubenstein, A.Z. Soviet Policy Toward Turkey, Iran, and Afghanistan: The Dynamics of Influence,
also influenced by the failed attempts at modernization, starting in the 19th century, with those of the Qajar Shah,18 and later, after the disintegration of the Persian Empire and the establishment of Iran as a nation state, with those of the two Pahlavi Shahs (Reza Shah 1921-194119 and Mohammad Reza Shah 1941-1979). Furthermore, the geopolitical culture in Iran has been influenced by the question of whether the Iranians should identify with: the ummah (Islamic community), as was proclaimed by Ayatollah Khomeini; or with Iran as a nation state, as former Presidents Rafsanjani and Khatami, and probably also current President Ahmadinejad see it. This has been termed geographical imagination.

Khomeini’s geopolitical visions of Iran manifest themselves in the two main ideological foreign policy principles of the Islamic revolution: “Neither East nor West” and the “Export of the Revolution.” These are to be explained further in chapter 5.3, but can be summarized as: Iran should refrain from relations with the West and support those Muslims who are suppressed by the West or their un-Islamic rulers. Those, who advocate Iran as a nation state, see Iran a key player in international relations. They advocate good relations with the West as well as with neighboring countries.

The definition of the nation state in Iran is closely connected to the setting of the boundaries of the Iranian territory. Like anywhere else in the world, boundary issues between Iran and its neighbors have often led to conflicts. As Pirouz Mojtahed-Zadeh notes (2006: 9) Iran is in a unique geographical situation as, of all the countries in the world, it has the highest number of boundaries with neighboring countries (currently 15). This has had a significant influence on Iran’s diplomatic and economic relations with its neighbors. Recent examples: are the disputes on the legal regime of the Caspian Sea with Russia, Azerbaijan, Kazakhstan, and Turkmenistan; and on the territoriality of the Abu Musa and Greater and Lesser Tunb Islands with the United Arab Emirates (UAE).

Thus, the geopolitical culture in the IRI is the product of past experiences, questions of identity and territorial boundaries. After the Islamic revolution, the geopolitical culture in Iran manifested itself in the institutionalization of the velayat-e faqih system, as developed by Ayatollah Khomeini in the 1960s (see 1.6).

Furthermore, the rivalry between different political factions for power has had a great influence on foreign policy practices in the IRI. As will be elaborated in detail in chapter 2, each political faction has different views and interests on politics, the economy, socio-cultural issues, and foreign policy. These views and interests have also changed over time. Consequently, each faction develops different visions of the place of Iran in international relations, based on these views and interests.

Additionally, the geopolitical visions and foreign policy practices of other countries have had a great influence on foreign policy practices in Iran. As will be shown in chapter 5-7, the foreign policies of the US, European Union (EU), Russia, China, India, Central Eurasia (CEA) and the Persian Gulf countries have had great effects on the foreign policies followed by the IRI.

Furthermore, Shi’ism, since its political institutionalization in the beginning of the 16th century, has greatly influenced geopolitical traditions in Iran.

1.6 The Role of Shi’ism in the Foreign Policy of the IRI
The basis of the political system of the IRI is the velayat-e faqih system, which finds its origins in the Shi’ite branch of Islam. How political is Shi’ism? Has it really been a driving force of policy formulation in Iran since the Islamic revolution, or is it rather one component of the nationalist movement of Iran that, since the late 19th century, fought against Western influences and domination in Iran?

Originally, in Islam there was no distinction between state power and religious
thought (Lambton 1980: 404). Prophet Muhammad, who was both the spiritual as well as the temporal leader of Islam, laid down the essential principles of the religion. After the death of Muhammad, the legitimacy of his successor became a dispute between the Shi’ite and the Sunni branches of Islam (see Amineh and Eisenstadt 2007).

Shi’ism became politically institutionalized in Iran when, in 1501, Shah Esmail I founded the Safavid Empire and adopted Shi’ism as the official state religion. This separated the Empire from and identified it in opposition to, its main competitor, the Sunni Ottoman Empire. Thus, since the Safavid Empire, Shi’ism has been serving as a means of national identity and state building (Thual 2002: 33). The politicization of Shi’ism can be drawn back to four developments: (1) the triumph of the usuli over the akhbari; (2) ijtihad; (3) marja-e taqlid; and (4) the khums. In the 17th and 18th centuries, a theological debate emerged among the Shi’ite clergy with regard to the right to interpretation (ijtihad). Two schools developed out of this debate, the akhbari and the usuli. The akhbari believe that, since the disappearance of the Twelfth Imam, there was no right to interpretation and that the hadith (tradition of words and deeds of Prophet Muhammad) was sufficient as legal source for Islamic jurisprudence (fiqh). Therefore, it was not necessary to follow the interpretations of a mojtahed (highest learned clergy). In contrast to the akhbari, the usuli believe in ijtihad and the leadership of the mojtahed. The usuli argue that religion has to be interpreted based on current circumstances. The usuli ultimately won the dispute between the two theological schools (Keddie 1995: 97-98) and, therewith, legitimized policy formulation within Shi’ism (Mirbaghari 2004: 557). The victory of the usuli over the akhbari paved the way for the creation of the modern Shi’ite clergy and the formation of an autonomous clerical body separate from the state. Only the mojtahed or ayatollah, and later, in the mid-19th century, the centralized leadership marja-e taqlid (source of emulation) had the right to ijtihad, and each believer had to follow his interpretations (Roy 1996/1999: 171; Mirbaghari 2004: 557).

The centralization of power among the clergy was accompanied by financial centralization, and financial autonomy of the clergy from the state, through the concentration of the khums and zakat (religious tax) in the hands of the marja-e taqlid. The khums are unique to Shi’ism. Originally, the khums (which is one fifth of the annual net profit of a Shi’a Muslim) were paid by Iranians to local and provincial ulama (clergy). With the emergence of the marja-e taqlid, the khums became concentrated in his hands (Enayat 1982). The khums bring the clergy and the rest of the Muslim population into direct contact. Members of the traditional economic sector, the bazaari, have, especially, been using the khums to increase their influence in politics.

Furthermore, the partial financial dependence of the clergy on the bazaari has made them reluctant to support policies that could go against the bazaari interests. At the same time, however, the independence of the clergy from the state, through the khums, has given them the freedom to act independently from the state, which has been particularly important during times of political crises (Mirbaghari 2004: 557), such as during the Tobacco revolt, the Constitutional revolution, the Oil Nationalization Move-
The Iranian political elite

The political elite culminated in the 1960s and 1970s with the Iranian monarchy, the Constitutional revolution and the post-constitutional clergy being heavily criticized by intellectuals, of whom Ayatollah Khomeini and Ali Shari’ati are two outstanding figures (see chapter 4.2.3.1). Social movements also arose, such as the People’s Mujahedin Organization of Iran (now Mujahedin-e Khalq of Iran) 20.

Ayatollah Khomeini revolutionized the traditional Shi’ite dogma on worldly political power by his new ideas on the velayat-e faqih system. The origins of the velayat-e faqih system can be traced back to the discourse between the usuli and the akhbari schools of thought in the 18th century mentioned above. It was Khomeini, however, who developed the concept into a political project and institutionalized it in the IRI (Arjomand 1988b: 193-203). With his concept of the velayat-e faqih Khomeini radically broke with the traditional Shi’ite dogma over political power 21 (Khomeini 1363/1979). Khomeini did not only restore Shi’ite traditions but actually initiated an ideological revolution within Shi’ism (Arjomand 1988b: 191-192). According to the theory of velayat-e faqih, the supreme leader (vali-e faqih) is the legal leader of the ummah. His function thus is equal to that of the imam (successor to Muhammad as the lawful temporal leader of the Islamic community). In 1988 the constitution of 1979 was augmented when Khomeini provided the faqih with powers greater than the imam. This is also known as velayat-e motlaqah-e faqih (absolute governance of the jurist). The velayat-e motlaqah-e faqih gives the supreme leader far-reaching power over all Muslims. The supreme leader is even entitled to temporarily cut short pillars of Islam such as prayer and the hajj (pilgrimage of Muslims to Mecca) 22 (Moslem 2002: 285, note 16).

Since the Islamic revolution, the velayat-e faqih system has been the main principle of the political power structure of the IRI and until now is one of the major obstacles to fundamental economic reform and democratization.

Almost three decades after the Iranian Islamic revolution a discourse has evolved, between high-ranking clerics and intellectuals, on what role religion and what role the clergy should play in politics. These questions touch the very heart of Shi’ism. Even the concept of the velayat-e faqih is subject to debate in questions such as: Is there indeed a need for the velayat-e faqih system? Should it be absolute (velayat-e motlaqah-e faqih), limited, or should it only be symbolic and ceremonial? The answers to


21. The Islamic world can be distinguished into two basic theoretical schools: Sunnism and Shi’ism. The latter school emerged in 637 A.D. out of a dispute on who should be the successor of the prophet. While the majority of the Sunni Muslims accept the rulers who succeeded the prophet after his death, the Shi’ites do not accept any earthly ruler except for Muhammad’s cousin and son in law Kalif Ali ibn-e Abu Talib. Khomeini changed this dogma by introducing his interpretation of the velayat-e faqih and the hokumat-e islami (see also chapter 4.2.3), according to which a religious leader should be chosen among the most knowledgeable clergy, as long as the Twelfth Imam remained hidden.

22. On the hajj see chapter 5.3.1.
these questions have direct consequences for the legitimacy of the political system of the IRI. At the same time, it should not be forgotten, that Islam continues to play an important role in the daily lives of almost all strata of Iranian society: rural and urban; wealthy and poor (Kamrava 2003: 104, 105, 111).

1.7 Summary
This chapter developed the theoretical framework of the study. It was organized around the following main questions: who has power in a society? What is the position of elites and their related institutions in society? What impact has ideology ( politicized religion/Shi’ism) on policy formulation? What is the place of geopolitics in foreign policy formulation?

Based on Linz and Chehabi, the political system of the IRI between 1979 and 1989, when Ayatollah Khomeini was the supreme leader, was classified as close to totalitarian and, since 1989, as authoritarian with some limited democratic features. In the discussion of elite studies the following shortcomings of elite theories were identified:

(1)  Elite theories are generally not concerned with the direct and indirect interaction between a political elite and the rest of society;

(2)  There is no systemic distinction of elite theories that study elites in industrialized and in developing countries. This distinction is important, as power relations between state and society in countries where a comprehensive industrialization has taken place, differ from those in countries where industrialization has failed or only partly been successful. Industrialized countries are usually characterized by a certain extent of cohesion, whilst developing countries often exist in a socially fragmented society;

(3)  The social context in which political elites act is not only national but also international;

(4)  Many elite theories only focus on those individuals who are powerful and control the power resources of a society. But the political elite can, in addition, also consist of people who have indirect influence on policy formulation through participation in the political discourse.

The political elite, or more precisely the politically relevant elite, of the IRI can best be categorized in three concentric circles:

(1)  The inner circle or (clerical) inner circle elite consists of those members of the political elite who have the power to take strategic decisions or object to them;

(2)  The second circle, the administrative elite, are those members of the political elite who have a decisive influence on strategic decisions or can take political decisions that are less relevant;

(3)  The third circle, the discourse elite, consists of members of the inner circle elite or administrative elite together with other individuals who engage in the political discourse on issues of economic, socio-cultural, or foreign policy relevance.

The inner circle and the discourse elite stand in continuous conflict with each other. Through introducing new ideas into the political discourse (e.g. the questioning of the
velayat-e faqih system) the discourse elite challenges the status quo of the political power structure of the IRI. Thus, the concept of the *velayat-e faqih* is subject to debate, with direct consequences for the legitimacy of the political system of the IRI.

Finally, the critical theory approach of IR and IPE, and its related critical geopolitics, were introduced for the study of foreign policy. The critical theory and critical geopolitics approach reject the state centric approach of IR and IPE theories. They refute the use of agency-structure dualism, a-historic structuralism, and determinism in the analysis of world politics and the historical structure of IR. They, instead, believe in the transformative character of the world and assume that any social structure has its limits. The most important aspect of the critical theory approach is that it believes in the transformative abilities of human beings and that collective human action leads to historical transformation. Critical geopolitics adds to this the geographic dimension for analyzing complex systemic realities. It not only looks at the “material spatial practices” that constitute the global political economy but also the way they are represented and contested. Thus, the study of foreign policy should not only be about foreign policy practices, but also on how they are arrived at and are influenced by certain representations of space.

In Iran, geopolitical traditions have, over the last 200 years, been greatly influenced by the country’s experiences of foreign intervention. Furthermore, Shi’ism has since its political institutionalization, at the beginning of the 16th century by the Safavid Empire, been an important feature of policy making. The politicization of Shi’ism culminated, in the 1960’s, in the development, by Ayatollah Khomeini, of the concept of the *velayat-e faqih*. With his concept of the *velayat-e faqih*, Khomeini radically broke with the traditional Shi’ite dogma over political power. Khomeini did not only restore Shi’ite traditions but actually initiated an ideological revolution within Shi’ism. Since the revolution, the *velayat-e faqih* system has become the main principle of the political power structure of the IRI and, up to now, remains one of the major obstacles to economic reform and democratization in Iran.
Chapter 2
Power Structures and Factional Rivalries in the Islamic Republic of Iran

2.1 Introduction
The Islamic revolution caused a fundamental change in the composition of the political elite in Iran, whose secular oriented members were replaced by mainly clergies and religious laypersons. On the one hand, the post-revolutionary Iranian political elite introduced a semi-theocratic mode of rule based on the velayat-e faqih system (the Governance of the Jurist, see chapter 2.2) – in 1988 reinforced by adding a new dimension the Absolute Governance of the Jurist (velayat-e motlaqah-e faqih, see chapter 1.) – institutionalized according to the constitution of 1979. On the other hand, the political institutions of the IRI are based on a modern state that finds its origins in the constitution of 1906. The political power structure of the IRI is composed of connected, but also competitive, formal and informal political power structures. The formal political power structure consists of state institutions and their aligned institutions: the religious supervisory bodies, the republican institutions, and the religious foundations (bonyads). Besides the formal power structure there exists also an informal power structure. The informal power structure has two levels:

(1) The different political factions of the political elite (the Conservative faction, the Pragmatist faction, and the Reformist faction) that cut across the state institutions and their aligned institutions. As there are no legal political parties in Iran, it is the political factions that represent the different ideas on economic, socio-cultural, and foreign policy;

(2) The informal power structure consists not only of those people who have power according to their position in state institutions, but also of those individuals that influence, or attempt to influence, the political discourse.

The rivalries among the different political factions have a great impact on policy formulation in Iran, as they pose an obstacle to the formulation of coherent domestic and foreign policies. While most state institutions in Iran are weak, due to the principle of the velayat-e faqih, personal networks are strong. As a consequence, the formal system for policy formulation is often ignored or bypassed in favor of the informal power structure, based on personal networks and power relations.

This chapter analyzes: the formal and informal power structures in the IRI since the Islamic revolution; the (changing) position of the different factions of the Iranian political elite on economic, socio-cultural, and foreign policy issues; the political elite’s control of state institutions as well as their economic resources. It also discusses from an historical perspective, the emergence of the different political factions, with their
The Iranian political elite's rivalries, alliances, and counter alliances, from the time of the Islamic revolution, in
1979, until December 2007.

### 2.2 The Formal Power Structure

The formal power structure of the IRI is composed of the supreme leader and three sets of institutions (Moslem 2002: 33-34):

1. The religious supervisory bodies;
2. The republican institutions;
3. The religious foundations (see figure 2.1).

The power of the supreme leader (or vali-e faqih) is based on the velayat-e faqih system. The supreme leader is the ultimate decision-maker in the IRI. The office of the supreme leader was established when the constitution of the IRI was drafted in 1979. The supreme leader has the power to declare war, to mobilize the troops and to dismiss many senior position holders in the IRI. These senior positions include: the head of the judiciary; the head of state radio and television; the supreme commander of the IRGC; the supreme commander of the regular military and the security services; as well as the clerical jurists in the Council of the Guardian (Tellenbach 1990: 71). He also appoints and removes the heads of the religious supervisory bodies.

#### 2.2.1 The Religious Supervisory Bodies

The religious supervisory bodies consist of two groups:

1. Three decision-making and advisory institutions: the Council of the Guardian, (Shora-ye Maslahat-e Nezam); the Assembly of Experts (Majles-e Khobregan); and the Expediency Council (Majma-e Tashkhis-e Maslahat-e Nezam);
2. Institutions, with no legal status, that are considered to be the extended arms of the supreme leader.
Figure 2.1 The Formal Power Structure in Iran since 1979

The Council of the Guardian consists of twelve jurists (six clerical and six non-clerical). The six clerical members are selected from among the ranks of the clerical elite and appointed by the supreme leader. The six non-clerical members are appointed by parliament (majles) at the recommendation of the head of the judiciary. The Council of the Guardian\textsuperscript{28} determines whether laws passed by parliament are compatible with the shari’a (Islamic law). It also examines if presidential and parliamentary aspirants are qualified to run for office. The Council of the Guardian has supreme oversight of the elections for the majles, the Assembly of Experts, and the presidency. For example, it determines who may become parliamentary or presidential candidate (Schirazi 1997: 89).

The Assembly of Experts is a council of 86 clerics that are elected by the Iranian people for an 8-year term. However, as said before, the Council of the Guardian first has to accept the candidates. The Assembly of Experts elects the supreme leader from its own ranks and dismisses him if he does not fulfill his duties (Constitution 1990: 69, 72), the latter of which is very unlikely to happen.

The Expediency Council was established in 1988 to act as a mediator between the majles and the Council of the Guardian, and to advise the supreme leader (Tellenbach 1990: 54). The Expediency Council has 31 members that are appointed by the supreme leader from among the ranks of the Iranian political elite (Buchta 2000: 61). In 1997, Hashemi Rafsanjani became Head of the Expediency Council, after having served two terms as president (1989-1997). In September 2007 he also became head of the Assembly of Experts. He is one of the most powerful members of the Iranian political elite.

The most important institutions that are in the hands of the supreme leader and formulate his ideas are: the Office of the Representatives of the Supreme Leader (Namayandegan-e Rahbar), the Association of Friday Prayer Leaders, and the Special Court for the Clergy (Dadgah-e Vizheh-ye Rouhaniyat, SCC). These institutions are responsible for ensuring that the Islamic character of the regime remains intact (Moslem 2002: 33-34). The representatives of the supreme leader, who are chosen by the supreme leader, are present on every level of the political establishment. They are directly responsible to the supreme leader and have to assure that the institutions, to which they are assigned, act according to the supreme leader’s wishes. The supreme leader’s representatives can be found in every state, civilian, and military institution. Also, within the military, the representatives have their own separate office, the Political and Ideological Bureau (Edare-ye Aqidati va Siyasi). At the universities the supreme leader’s representatives may intervene in the contents of courses taught and control the composition of the students matriculated.

Equally important are the Friday Prayer leaders, who are appointed by the supreme leader. While the executive branch of the government provides them with the budget they need, it has no control over the contents of the weekly Friday Prayers. The Friday

\textsuperscript{28} The Council of the Guardian has since its existence been controlled by the Conservative faction of the political elite.
Prayers have served as powerful propaganda forums for the Conservative faction of the Iranian political elite. The Friday Prayers have been very influential in setting the tone on important political issues, especially foreign policy issues. Supreme Leader Ayatollah Khamenei and Head of the Expediency Council, Hashemi Rafsanjani, have often made use of the Friday Prayers to bring their views to the public, especially on foreign policy issues, without taking into account the Ministry of Foreign Affairs, nor the president. The head of the judiciary and the leadership of the Islamic Revolutionary Guards Corps (IRGC) are others who use the Friday Prayers as a platform to bring their views on foreign policy to the public.

The SCC is another example of an institution that functions outside of, and parallel to, the judiciary. It was created during the Iran-Iraq War (1980-1988). Its responsibility lies in prosecuting dissident clergies i.e. those who give an interpretation to Islam that could undermine the official state ideology. It is one of the most powerful institutions of the regime, as it safeguards the ideological unity of the clergy. The SCC has imprisoned several prominent Reformist clergy, including: Abdullah Nuri, confident of Ayatollah Khomeini and former Minister of Interior; Mohsen Kadivar, candidate for president in 2005; and Hassan Yussefi-Eshkevari, cleric and founder of the Ali Shari'ati Research Center. It has also cooperated with the official judiciary to close down papers and imprison regime critical intellectuals (Kamrava and Hasan-Yari 2004: 509-512).

2.2.2 The Republican Institutions

The republican institutions are the three governmental branches: the executive, the judiciary, and the legislative (majles). The Iranian people elect the members of parliament every four years. Since the death of Khomeini parliament’s political importance has significantly increased. It drafts legislation, ratifies treaties, approves states of emergency, approves loans and the annual budget, and removes the president and ministers from office (Bakhtiari 1996).

Originally, the 1979 constitution divided the power over the executive between the president and the prime minister. Actual leadership over the executive was in the hands of the prime minister, who – in contrast to the president – was not elected by the Iranian people. The idea was that, by this division of power, a popular elected president could not undermine the authority of the supreme leader.

With the revision of the constitution in 1989 – when Rafsanjani became president – the office of prime minister was abolished and his tasks taken over by the president. The president is now the head of government with powers to: appoint and dismiss ministers, subject to confirmation by parliament; control the Planning and Budget Organization (Sazeman-e Barname va Buje); appoint the head of the Central Bank; and chair the National Security Council (Shura-e Amniat-e Melli, NSC).29 The president can only be

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29. The NSC has twelve permanent members that coordinate governmental activities in defense, intelligence services, and foreign policy. The members include the heads of the executive, legislative, the chiefs
The Iranian political elite removed by a two-third majority in parliament. He can also be declared “politically incompetent” by parliament, after which the supreme leader can remove him from his post. Formally, the president is the second most powerful member of the Iranian political elite, behind the supreme leader. He is responsible for economic and socio-cultural but not foreign policy. The president has no control of the armed forces\textsuperscript{30} (Milani 1993: 86-89, 94).

The armed forces in the IRI are composed of two main components: (1) the regular military; (2) the revolutionary military, consisting of (a) IRGC with its paramilitary basji militia, (b) the Law Enforcement Forces (LEF).\textsuperscript{31}

The regular military and IRGC are formally subordinate to the Ministry of Defense and Armed Forces Logistics (MODAFL). They are responsible for defending Iran's borders as well as for the provision of internal security. The LEF are formally subordinate to the Ministry of Interior\textsuperscript{32}.

The origin of dividing the combat forces dates back to the post-revolutionary period. The Iranian political elite did not trust the regular army as it used to be loyal to the Shah and, therefore, established the IRGC to maintain internal security, safeguard the ideological purity of the revolution, and counterbalance the regular military.\textsuperscript{33} Both the military and IRGC have ground, air and naval forces, but the regular military is much larger and better equipped than the IRGC. The regular military has about 400,000 men, the IRGC about 120,000. The IRGC air force owns a few dozen trainer aircraft, while most of Iran's approximately 200 operational high performance combat aircraft belong to the regular air force. The IRGC navy consists mainly of 10 Chinese Houdong class missile boats, another 100 small boats, shore-based antiship missile batteries, and a large combat swimmer (naval special warfare) force. The regular navy controls Iran's dozen major surface combat ships and three submarines (Brom and Shapir 2000: 181-198).

\textsuperscript{30} The armed forces are controlled by the supreme leader and the Conservative faction of the political elite.

\textsuperscript{31} The LEF was established in 1990 after Hashemi Rafsanjani had assumed office of the president in 1989, out of the various Islamic revolutionary committees (Komiteh-ye Engelab-e Eslami), the City Police (Shahrbani), and the gendarmerie (countryside police). During the first decade after the revolution the revolutionary committees — mainly composed of members of the Conservative faction — together with the regular police were responsible for implementing law and order in Iran. By merging them with other police forces in 1990, President Rafsanjani aimed at reducing their scope of action. The committees are not so visible on the streets anymore today but maintain an independent structure and activities (Hermann 1994: 546).

\textsuperscript{32} Both the regular military and the revolutionary military are controlled by the Conservative faction of the Iranian political elite (Buchta 2000: 143).

The IRGC is a key institution in Iran due to its role as guardian of the revolution, and because many senior revolutionary guard officers have close personal and family ties to key members of the Iranian political elite. Current president Mahmoud Ahmadinejad, as well as many of his cabinet members, used to be members of the IRCG. The IRGC plays, also, an important role in the selection, ideological indoctrination, professional development, and advancement of future senior civil servants.

The basji militia is the most powerful paramilitary organization in Iran. It was established in 1979 by Ayatollah Khomeini as, an “Army of the 20 million”, to protect the IRI against US influences and against “domestic enemies.”34

Though the republican institutions are modern, the popular will officially represented in these institutions is challenged and undermined by other formal and informal institutional mechanisms (Moslem 2002: 34-35) such as the religious foundations.

### 2.2.3 The Religious Foundations

The religious foundations are an integral part of the political-economic system of the IRI. Important foundations (to be discussed in chapter 3.2.1) are: the Bonyad-e Mostazafan va Janbazan (Foundation for the Oppressed and Disabled); the Bonyad-e Shahid (Martyrs’ Foundation); and the Bonyad-e Astan-e Quds (Imam Reza Foundation). The supreme leader appoints the heads of the foundations.

The religious foundations are responsible to no one else but the supreme leader and his local representatives. They have control of large parts of the economy and are entrusted with safeguarding the Islamic and revolutionary principles of the IRI. At the same time, the foundations claim to be charities that provide financial help to low-income groups, families of martyrs, former prisoners of war, rural dwellers, guardian-less households, the disabled, and the handicapped (Saeidi 2004: 488). The foundations act in parallel to the official governmental institutions. For example, the Housing Foundation (Bonyad-e Maskan) operates along with the Housing Ministry providing housing to families in need. The Literacy Movement (Nehzat-e Savad –Amoozi) acts along with the Ministry of Education. The Supreme Council of Cultural Revolution (Shoura-ye Ali-ye Enqelab-e Farhangi) competes with the Ministry of Culture and Islamic Guidance in setting the cultural policy, based on the supreme leader’s guidelines. The same can be said about the Ministry of Culture and the Islamic Propaganda Organization (Sazman-e Tablighat-e Eslami), as well as the Land Allocation Committees (Hayat-Haye Vagozari-ye Zamin) and the Ministry of Agriculture (Kamrava and Hassan-Yari 2004: 509).

The foundations are tax-exempt. Apart from their responsibility to the supreme leader there is no control by the government of the foundations’ economic activities and expenses. The foundations have no public accounts, and no concretely defined legal status. Despite their status as semi-public organizations, they act as giant private monopo-

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34. For more details on the basji militia see Schahgaldian, N. The Iranian Military under the Islamic Republic. (Santa Monica, 1987), 87-100.
lies rather than as charities. The foundations are estimated to account for 35 percent of Iran’s total gross national product. They control over 40 percent of the non-oil sector of the Iranian economy (Saeidi 2004). The foundations have been a great financial burden to the Iranian economy and one of the main obstacles to economic reform in Iran.

The foundations have been involved in propagating the ideology of the IRI and the social security programs. The foundations mobilize tens of thousands of people, from urban and rural lower classes, for demonstrations that support the Islamic regime. They have supported: the establishment of schools, universities, and research centers; the publications of books and journals; the production of films; the organization of art and book festivals; as well as the establishment of ideological museums. They, therewith, contribute to the indoctrination of a great number of young intellectuals into the Islamic political ideology, as it was developed by Ayatollah Khomeini. The foundations have become pivotal actors in the power struggle among different factions of the Iranian political elite, not only in terms of mass mobilization, ideological indoctrination and repression, but also as financial resources to the Conservative faction (see chapter 2.4). This makes them not only economically important but also significant actors in forming the domestic policies in Iran (Rakel 2006: 121-123). This means the religious foundations belong to a type of organizations in the IRI that have the legal authority to directly, or indirectly, influence the operation of the government, and execute political power alongside or even above the legislative, executive, and judiciary branches of the government.

2.3 The Informal Power Structure
Besides the formal power structure there exists also an informal power structure. The informal power structure can be distinguished into two parts:

(1) The different political factions of the political elite, that cut across the state institutions and their aligned institutions, such as the heads and members of state institutions, religious-political associations, the religious foundations, and paramilitary organizations. As there are no legal political parties in Iran, it is the political factions that represent the different ideas on economic, socio-cultural, and foreign policy issues;

(2) Those people who have power owing to their position in state institutions, and individuals or groups outside the state apparatus, who directly or indirectly influence the political discourse.

After the Islamic revolution, the Iranian political elite was unable to produce a dominant revolutionary party. Although the regime was able to integrate a number of parasitical organizations (e.g. the religious foundations) into the power structure of the

36. Historically, charitable foundations have played a significant role in Islamic societies. They could be
Islamic regime, there exists no institutional mechanism that would distribute power among the different political factions. According to Bakhtiari (1996), what in a different institutional setting would be internal party elections, in Iran is performed by general elections. The voters in Iran are seen as party members. The people are mobilized through mosque networks and ideological propagation, with the parliament functioning as a “central committee” or “politburo of sorts.” The fact that regular elections are held, has led to a certain degree of pluralism in the political system, with members of the political elite practicing “electoral politics” and showing “parliamentary behavior” (Bakhtiari 1996; Gheissari and Nasr 2004: 98). According to Elaheh Koolaee, until now, however, Iran has not been ready for pluralism in the political system:

“It is very difficult because of the infrastructures [the limitations set by the principle of the ve-
layat-e faqih] of establishing or constituting parties, political parties. I think the infrastructures and backbones of these infrastructures have not appeared yet, and we must work very hard in creating these infrastructures for real and active players in this field.”

used as mechanisms for untaxed savings and investment, and provided financial independence of the clergy from the state. Their origins derive from the teachings of the Quran. According to the Quran stronger people have to show solidarity with the weaker ones, meaning the religious leaders have to serve as their guardians (Algar 1969: 18). To serve this purpose two taxes are drawn: zakat and khums. During the Safa-
vid period (1501-1722), the Safavid rulers granted endowments to the clergy and, therewith, strengthened the independence of the foundations from the state, providing the clergy with “economic independence.” The clergy for their part guaranteed non-involvement with politics (Keddie 1995: 12). During the Qajar Empire (1783-1925), the religious authority of the clergy developed with the collection and distribution of various kinds of taxes. The more taxes the clergy received the more it reflected their authority and importance. Additionally, the income from the endowments associated with shrines and mosques was one of the most significant sources of income for the clergy (Algar 1969: 14). The control of endowments by the clergy led several times to clashes between the Shah and the clergy:

(1) During the Qajar period when the chief administrator of the endowments, who used to be selected from among the ranks of the clergy became the most important figure next to the provincial governor (Algar 1969: 15); (2) During the Pahlavi period (1921-1978) when the Shahs (Reza Shah (1921-1941) and Moham-
mad Reza Shah (1941-1979)) attempted to control or restrict the endowments property. This led to unrest and riots in the provinces. The clergy saw these policies as a serious threat to their independence from the state (Saeidi 2004). At that time the resistance of the traditional sectors of the economy to these poli-
tics led to a coalition between the clergy and the merchant communities (the bazaaris) against the Shah (Vakili-Zad 1992: 22). In contrast to the foundations of the Safavid, Qajar, and Pahlavi period the foundations established after the Islamic Revolution have been part and parcel of the political system. After the revolution the Islamic government gave the foundations the assets of the Shah, his ruling elite, and other Iranians who had fled the country, including hundreds of companies in all sectors of the economy (Ami-
rahmadi 1995). The Shah and his family had been the greatest capitalist investors of the country. They had owned more than 207 big trading companies, industrial enterprises, and banks. The major part of the Shah’s wealth was run by the Bonyad-e Pahlavi (Pahlavi Foundation) — after the Islamic revolution being replaced by the Bonyad-e Alavi (Alavi Foundation) — which had been established in 1958 by the Shah and was an important instrument for controlling the economy in Iran. Like all other foundations the Pahlavi
Foundation, officially, was a charity organization. In reality, however, it was Iran’s biggest industrial and trade organization with interests in all major economic sectors in Iran (Amineh 1999).

37. Interview with Dr. Elaheh Koolaee, on 8 November 2005, in Tehran, Iran. Dr. Koolaee is associate fellow at the University of Tehran, Faculty of Law and Political Science, and former member of the Iranian parliament i2000-2004) for the Reformist Islamic Iran Participation Party (Jebheye Mosharekate Iran-e Eslami).
She explains that the directives in a centralized state, such as Iran, will have to come from above:

“[…] [Y]ou know the […] state of our country based on our historical structures is very centralized and very strong. In this kind of situation any kind of change […] like many other countries […] comes from the top not from the down such as the collapse of the Soviet Union and many previous events. It depends on the perceptions and feelings or approaches of decision-makers, powerful people who believe in the necessity of expanding these kinds of institutions.”

Adib-Moghaddam, however, characterizes very clearly the Reformist movement as a movement that has institutionalized pluralism from below (to be further elaborated on in chapter 4):

“contemporary Iranian reformism manifests itself as a trajectory, yet original and indigenous, political culture that feeds into the political process in a bottom-up manner – from society to the state – not the other way round” (Adib-Moghaddam 2006: 667).

The political factions should not be seen as groups with coherent ideas. Therefore, according to Moslem (2002: 95-96) the following four points should be noted for clarification:

(1) Although, in each faction there are some people who have more power than others in setting the agenda for their respective faction, there is no clear leader in each faction. The factions are composed of individuals with similar views that hold several positions in the IRI’s state (related) institutions or other organizations. Thus a faction is not a homogenous group but a loose coalition of groups and individuals;

(2) Since the death of Khomeini, the factions have often modified their views mainly for short-term political reasons. Additionally, not all members of a faction share the same views. In fact different opinions have often caused disruptions within factions, and the creation of alliances with other factions or new factions;

(3) As a result of the loose alliances of groups within a faction, the factions have no coherent organizational structure and, also, no official political program. Members of a faction express their views in the media (newspapers, journals, television, radio), in parliamentary debates, confidential memos, Friday Prayers, etc. When members of the different factions speak about each other they always do it in an indirect way by saying “some people,” “those,” “a certain assembly,” “a wing” or similar. This makes it difficult sometimes to make clear judgments about their statements;

(4) The most important indicator to show which individual or organization belongs to which faction is how an individual or an organization sees itself; that means through publicly declaring to what faction they belong to, or by giving open sup-
port to a presidential or parliamentary candidate during election campaigns. Fractional affiliation is also expressed in the majles by giving support to a certain policy or at elections within the majles, e.g. the election of the parliamentary speaker.

The informal power structure does not only include political decision makers but also those who are directly or indirectly involved in political decision making, or the political discourse. Based on Johannes Reissner (2002) three interrelated levels of the informal power structure in the IRI (figure 2.2) can be distinguished:

(1) The inner circle elite. The inner circle elite is composed of the highest clerics and (religious) lay persons. Since the election of Mahmoud Ahmadinejad, as president, the inner circle elite is dominated by the Conservative faction. Buchta (2000) also calls those belonging to the inner circle the “patriarchs.” Until the election of Ahmadinejad as president, in 2005, the inner circle elite consisted only of clerics. With Ahmadinejad as president, for the first time since 1979, a religious layperson has entered the inner circle elite. The inner circle elite determines the course of the IRI but, in contrast to the first ten years after the revolution, no longer determines the political discourse, to which it only reacts (Reissner 2002: 192). The power of the inner circle elite is legitimized by the constitution of 1979 and the principle of the velayat-e faqih. The inner circle elite dominate those state institutions – except for the president – that are not elected by the people and are not responsible to them. The most important institutions that are dominated by the inner circle elite are: the supreme leader; the Assembly of Experts; the Council of the Guardian; the Expediency Council; the heads of those institutions that are installed by the supreme leader, i.e. the head of the judiciary branch; the commander of the regular military; the head of the IRGC; the representatives of the supreme leader in all important state institutions, and in the provinces; and the chairmen of the different religious foundations, that are also installed by the supreme leader. Thus, the inner circle elite have, through the institutionalization (after the revolution) of constitutionally legitimized religious supervisory bodies, gained for itself an independent position within the political system;

(2) The administrative elite. The administrative elite are those Iranians who participate in the political decision-making process, give advice, or carry out political decisions. The administrative elite are composed of members of all three political factions, the Conservative faction, the Pragmatist faction, and the Reformist faction. Most of them are civil servants, representing the executive, judicial, and legislative branches (e.g. provincial governors, mayors of large cities, technocrats). The members of the administrative elite are mainly religious laypersons and have gradually gained in significance in the political process since the revolution (Reissner 2002: 195). While the revolutionary background of the administrative elite still plays an important role in their political prestige, in contrast to the inner circle elite, the administrative elite hold more diverse political-ideological
ideas. Particularly, among the Reformist members of the administrative elite, a change in political ideas can be noted. Many of those who now belong to the Reformist faction of the political elite had been, for example, radical leaders in the movement of the Muslim Student Followers of the Imam’s Line (Daneshjuyan-e Khart-e Imam), such as, Abbas Abdi (see 4.3.3.2). Besides men, women have also played an important role in the administrative elite since the Islamic revolution. Their biographies are strongly connected to the revolution. For women to become members of the political elite, family ties seem to be even more important than for men, for example, Zahra Khomeini, the daughter of Khomeini, who was Member of Parliament and active in the women’s movement, as well as Fa’ezeh Hashemi Rafsanjani, the daughter of former President Hashemi Rafsanjani. The administrative elite are viewed by the population as ”normal” politicians and are evaluated according to their political achievements, for which they compete with each other (Reissner 2002: 196);

(3) The discourse elite. The discourse elite are members of the political elite who participate in the discourse on economic, socio-cultural, and foreign policy issues. To the discourse elite belong members of the inner circle elite, members of the administrative elite, clerics outside the inner circle elite, as well as academics, writers, and journalists. For example: former President Khatami, who belonged to the inner circle elite, can also be counted as part of the discourse elite; equally so can a journalist who gained political significance by writing a specific article; or religious lay and clerical public intellectuals, such as Abdolkarim Soroush, Mohammad Mojtahed Shabestari and Mohsen Kadivar (to be discussed in chapter 4.3.3.1).

The relation between the inner circle elite and the discourse elite can be described as a kind of ideological rivalry. At the heart of the debates are questions on what role Islam and the clergy should play in politics. More recently, the secularization problem has gained in significance in this dispute. The dispute between the inner circle elite and the discourse elite has led to a change of political culture, even in the political state institutions. The inner circle elite is no longer able to distance itself from this dispute (Reissner 2002: 198-99).
Figure 2.2. The Informal Power Structure in Iran 2007

Discourse elite
Members of the political elite that influence directly or indirectly the decision-making process and political discourses in Iran: members of the inner circle and administrative elite, journalists, writers

Administrative elite
Representatives from the executive, judicial, and legislative branches, provincial governors, mayors of important cities, technocrats

Inner circle elite
The most powerful members of the political elite from the executive, judicial, and legislative branches; the Council of the Guardian, the Assembly of Experts, the Expediency Council, heads of the religious foundations, representatives of the supreme leader

Conservatives
Reformists
Pragmatists

The rising demand for reforms by the Iranian population has shifted the discussion of reform from within elite circles, to more secular intellectuals and activists in non-governmental organizations and universities (Yousefi-Eshkevari 1998 and 2000). To this public intelligentsia belong, for example, Abbas Abdi, Akbar Ganji, and Saeed Hajjarian (chapter 4.3.3.2). This development in the political discourse distinguishes itself from the earlier discourse in that the new secular thinkers no longer aim to protect Islamic identity in politics and believe that an ideal form of government does not necessarily have to be based on Islam (Gheissari and Nasr 2004: 103).

The next section looks at the material bases of the political factions, on which the power and interests of the different factions partly rests.

### 2.4 Economic Resources of the Political Elite

The three main factions of the Iranian political elite have different ideas on how the economy in Iran should be organized. While the Conservative faction protects the traditional sectors of the economy, and only partly promotes privatization policies, the Pragmatist faction and the Reformist faction both support privatization (see below for further elaboration on the factions’ position on economic issues). According to Akhavi-Pour and Heidar Azodanloo, economic policies do not derive from differing ideologies of the three factions but from the different economic bases each faction depends on. They argue that:

“The decisions of Islamic political groups and government factions are based on economic and political policies that are expected to maximize their economic gains” (Akhavi and Azodanloo 1998: 69).

The economic strength of the different political factions is based on their different financial sources (table 2.1). The most important source of income in the IRI is its oil and gas resources. The rent from the oil and gas exports gives the Iranian political elite

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Table 2.1 Economic Resources of the Three Main Political Factions in Iran

<table>
<thead>
<tr>
<th>Sources</th>
<th>Conservative Faction</th>
<th>Pragmatist/Faction/Reformist Faction</th>
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<tr>
<td>Oil and Gas Revenues</td>
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<td>Taxes and Fees</td>
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<td>State Enterprises</td>
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<td>Municipalities’ Income</td>
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<tr>
<td>Mosques, Holy Shrines</td>
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</tr>
<tr>
<td>Religious Tax (“khums” and “zakat”)</td>
<td>+++</td>
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<tr>
<td>Religious Foundations</td>
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</table>

a relative independence from society. Economic relations between state and society are not regulated by taxes but by a network of direct and indirect subventions (Maloney 2000). The Pragmatist and the Reformist factions rely on official sources that stem from fiscal tools (taxes, fees, and borrowing), and oil and gas revenues (the main source of foreign currencies). They also control some major state economic enterprises (mining, manufacturing, and services). The Conservative faction relies on fiscal revenues as well as non-official sources of income that lie outside the fiscal tools. Three main economic sources of income of the Conservative faction are the mosques, the Shi’ite holy shrines and sites, and the religious foundations (Akhavi-Pour and Azodanloo 1998: 75).

Thus, while the Pragmatist and the Reformist factions rely on official economic sources within the fiscal tools, the Conservative faction receives its major income from religious sources and the foundations, outside the fiscal tools. Until now, the Conservative faction has the political tools and fiscal means to maintain a dominant position both in political and economic life of the IRI.

As long as the Pragmatist and Reformist factions are unable to successfully consolidate their financial and economic resources, the divisions over economic sources, between the factions, will continue to have its effect on overall policy formulation.

2.5 Elite Recruitment
The most important aspects, in terms of recruitment of the political elite, are personal contacts and traditional networks. The most important institutions in the network of contacts are dowreh (circle) and parti or partibazi (nepotism). Dowreh means a circle of individuals that have the same (including religious) interests, profession, or went to the same school. They meet frequently. The institution of dowreh does not only exist between the urban upper and middle class but also in the rural area lower classes. An individual can be a member of several dowrehs and by this create a network of communication and interaction, which plays an important role in elite recruitment, especially of the administrative elite. Parti is the institutionalized praxis of lobbyism among this circle of individuals (Beeman 1986: 44-50). Religiously oriented circles, hey’at (for men) and jaleseh (for women), traditionally are closely connected to the bazaar. Many clergy, such as Ayatollah Khamenei and Hashemi Rafsanjani, became famous as speakers in these circles (Naficy 1993: 197-201). A great many members of the clerical elite have studied at the theological Haqqani School in Qom. To thisd group belong former President Rafsanjani, the former intelligence minister Fallahian, Ayatollah Jannati, Head of the Council of the Guardian, as well as Ayatollah Taqi Mesbah Yazdi (McAllester 5 September 2001), advisor to current President Mahmoud Ahmadinejad and member of the Assembly of Experts.

2.6 Factional Rivalries since the Islamic Revolution
The three main political factions, the Conservative faction, the Pragmatist faction and the Reformist faction, and their ideas on economic, socio-cultural, and foreign policy
issues are the result of a rivalry for power between them that started with the establishment of the IRI in 1979. This rivalry for power can be distinguished into four phases: (1) from 1979 until 1989; (2) from 1989 to 1997; (3) from 1997 to 2005; and (4) since 2005.

During the first phase, the struggle for power was carried out between two main factions, the Conservative faction and the Radical Left faction. From the mid-1980s emerged a new third faction, coming forth out of the Conservative faction, namely the Pragmatist faction. The mid-1990s introduced a new phase of factional rivalry with the emergence of the Reformist faction. The Reformist faction partly emerged out of the Radical Left faction, the latter ceasing to exist. In 2005 a split within the Conservative faction took place between Conservatives and “neo-Conservatives.”

The next section analyzes the struggle for power among the different political factions from a historical perspective since 1979, and their (changing) positions on economic, socio-cultural, and foreign policy issues.

2.6.1 Factional Rivalries for Power 1979-1989
In 1979, Ayatollah Khomeini, as the leader of the revolution, successfully overthrew, with the support of a wide range of secular and Islamic social forces, the modern secular-authoritarian regime of Mohammad Reza Shah. Khomeini’s eventual success in establishing a semi-theocratic republic was largely a result of his followers’ ability to mobilize Shi’ite religious institutions and his focus on mass grievances against the Shah’s regime. Ayatollah Khomeini’s victory not only reflected his capabilities as a charismatic leader and his ability to gain mass backing but also the failure of the Shah’s regime to keep the support of the modern urban social forces it had created by rapid modernization from above.

Ayatollah Khomeini was able to eliminate the main secular and liberal Islamic social forces, which had supported him in the first two years after the revolution. In November 1979, Mehdi Bazargan, the leader of the Liberation Movement of Iran (Nehzat-e Azadiye Iran) and Prime Minister of the first post-revolutionary government, resigned during the American embassy hostage crisis of 1979-1980, leading to the elimination of the liberal Islamic forces from the power block (see chapter 5.3).

When Mehdi Bazargan was appointed as the first post-revolutionary prime minister of the IRI, as head of the Provisional Government, most people in opposition hoped that he would lead the country towards political freedom and free enterprise. It was

38. On the mobilization of the different revolutionary social forces in Iran see Amineh, M. P. Die globale kapitalistische Expansion und Iran-Eine Studie der iranischen politischen Ökonomie 1500-1980, (Muenster, Hamburg, London: Lit Verlag, 1999), ch. 13; see ibid. chs. 9 – 11 on modernization from above or “passive revolution” in the 1960s and 1970s in Iran under the reign of Mohammad Reza Shah.

expected that Mehdi Bazargan would continue the path of the Shah’s economic policies but in a less autocratic way. For a few months, Ayatollah Khomeini and the majority of the secular groups supported Bazargan. In its early days, the Provisional Government even had active cooperation with the West, including the US. But with pressure from the Radical Left faction and the Conservative faction, as well as from the revolutionary Komitehs, Bazargan became, as he described it himself, “a knife without a blade.” Members of the Revolutionary Council and the most radical people of the anti-Shah coalition demanded a fundamental restructuring of the economy and an isolationist foreign policy. Additionally, the Provisional Government was unable to keep up to its promises of free housing, water, electricity, and public transport. Thus, both domestic and foreign policy factors contributed to the downfall of the Provisional Government (Amuzegar 1993: 34-35).

In 1981, Abolhassan Banisadr, elected as president in 1980, was forced to abdicate because he openly criticized the concentration of decision-making and the supremacy of the supreme leader – Ayatollah Khomeini – in the political system (Bazargan, 1983, 1984; Rahnema and Nomani, 1990).

The different political Islamic forces that remained were united in the IRP, which had been established in 1979. The unification of the various Islamic forces in the IRP was followed by heavy tensions between these groups. Khomeini managed to prevent an open conflict between them, but was unable to prevent the IRP from splitting due to their different views on economic, socio-cultural, and foreign policy. In June 1987, its leadership agreed to dissolve the party. The IRP coalesced into two major political ideological camps:

1. Those who supported private property, opposed the export of the revolution, but were socially conservative were called “conservative,” “moderate,” or “pragmatic” – the Conservative faction;
2. Those who advocated state intervention into the economy and supported the “Export of the Revolution” were the “left” or the “hardliners” – the Radical Left faction.40

Some people, including Hashemi Rafsanjani favored state intervention in the economy, but were socially conservative. They were called “reformist” but were counted in the camp of the Conservative faction (Akhavi 1987; Behrooz 1991; Ehteshami 1995).

The Conservative faction (Buchta, 2000; Reissner 2000) or “Fundamentalists” (Seifzadeh 2001) or “Traditional Right” (Behdad 2000) or “Conservative/Traditional Right” (Moslem 2001) consisted mainly of religious traditionalist, socio-political conservative clerics, and religious technocrats. In the early years after the revolution the Conservative faction supported a pragmatic domestic and foreign policy. They promoted pri-

40 When speaking about “Conservative” and “Left” the connotation is not the same as what is generally understood when using these terms, but to make a general distinction between different streams of ideas and policies among the Iranian political elite.
vate property and were opposed to the taxation of the private sector by the state. They demanded the strict application of the *shari'a* (Islamic law) and were opposed to the Export of the Revolution to other Islamic countries. They were supported by the traditional Iranian bourgeoisie, the *bazaaris*, as well as the ultra-orthodox clergy, and highly religious people in the Iranian society (Moslem 2002: 48).

A group around Hashemi Rafsanjani was always considered to be in one camp with the Conservative faction until the mid 1980s, when Hashemi Rafsanjani formed his own faction – the Pragmatist faction – and became president after the death of Ayatollah Khomeini. The Pragmatists were close to the Conservatives in their socio-cultural ideas, but in contrast to the Conservatives, they followed the “Radical Left” in supporting state intervention and high taxation (Moslem 2002: 48-49).

The Radical Left consisted mainly of social revolutionaries, independent clerics, and religious laypersons. The Radical Left followed a dogmatic policy based on a state-controlled and egalitarian economic policy and the Export of the Revolution.

The categorization into different factions also has its problems, as it fails to bring to the fore the overlaps between the factions. For example, although the Radical Left faction had a state centric view on economic issues and aimed at “exporting the revolution” to other countries, it was relatively moderate on socio-cultural issues. The Conservative faction, to the contrast had a moderate position on foreign policy issues, but was narrower minded in the socio-cultural field than the Radical Left faction (table 2.2). Again others, like Rafsanjani, who belonged to the Conservative faction was actually closer to the Radical Left faction in economic issues (Moslem 2002: 91).

The Radical Left faction dominated the first *majles* (1980-1984) and the second *majles* (1984-1988), as well as the executive and judicial branches of the republican institutions, until the presidential elections of 1989.

### 2.6.2 Factional Rivalries for Power 1989 -1997

In the second half of the 1980s and in the early 1990s, two intellectual and political groupings emerged that both set in motion the public debate of reform in Iran. The first group emerged within the ruling government, the Pragmatist faction, led by Hashemi Rafsanjani. The Pragmatists promoted reforms in accordance with the theocratic regime. The second group emerged a couple of years later among dissident lay Islamic intellectuals, such as Abdolkarim Soroush. This latter group were in opposition to the idea of the *velayat-e faqih*, the supreme leader as the ultimate decision-maker, and advocated an Islamic state not controlled by the supreme leader. Neither of these groups represented a consistent social movement or advocated the separation of religion from politics, but rather sought reform within the existing theocratic system (Gheissari and Nasr 2004: 95).

The Pragmatist faction was able to attract members of the new middle class, as well as segments of liberal tendencies. At that time, however, the Radical Left faction still controlled the executive, legislative, and judiciary branches, that is until the presidential
elections in July 1989. The conflict between the three factions, the Conservative faction, the Pragmatist faction, and the Radical Left faction intensified after the dissolution of the IRP in June 1987 and the cease-fire with Iraq on 20 August 1988. A major dispute between them was: what strategy would be most suitable for reconstructing the national economy and those areas of the country that had been most affected by the war with Iraq (chapter 3.2.3). Although the Radical Left faction kept its position in the majles until 1992, the death of Khomeini in 1989, and the election of Hashemi Rafsanjani as president, showed that the Pragmatists, together with the Conservatives, won that new phase in the struggle over state power (Amirahmadi 1990: 22-23).

The cooperation between President Rafsanjani and Supreme Leader Khamenei systematically deprived the Radical Left of most of its power base in the political system (Hermann 1994). Between 1989 and 1990, a number of supporters of the Radical Left faction lost their positions in government, which was a manifestation of the dominance of pragmatism in the IRI (Behdad 1995: 117-118). In the elections for the fourth majles (1992-1996) in April 1992, the Radical Left faction gained only 79 seats out of 270.

As Ayatollah Khamenei – the new Supreme Leader after the death of Ayatollah Khomeini – was not an authority as great as Khomeini, it was President Rafsanjani who took over Ayatollah Khomeini’s role in setting the direction and principles of the IRI. President Rafsanjani pursued a policy of socio-economic liberalization (chapter 3.3) that received mixed reactions from the various factions.

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41. The emergence of Hashemi Rafsanjani as president was a significant development in post-Khomeini Iran. During his presidency from 1989 to 1997 he was able to achieve fame as the architect of a new Iran or Commander of Constructiveness Sandar-re Sazandeghi (Moslem 2002: 142).

42. Among them were Ahmad Khomeini (Ayatollah Khomeini’s son), Mir Hossein Musavi (former Prime Minister), Abdolkarim Musavi-Ardebili (former Head of the Supreme Judicial Council), Mohammad Musavi-Khoiniha (former Prosecutor-General), Ali Akbar Mohtashami (former Minister of the Interior), and Behdad Nabavi (former Minister of Heavy Industries).


44. Among those who lost their seats, either because they were disqualified by the Council of the Guardian or because they were not elected, were Fazel Harandi, Mohammad Salamati, Mortaza Alviri, Mehdi Karrubi, Sadeq Khalkhali, Hadi Khamenei, Asadollah Bayat, Abolqasem Sarhadizadeh, Atefeh Rejai, and Abbas Duzdizani. The most notable figures who lost the election were Ali Akbar Mohtashami and Mohammad Musavi Kho’iniha, two leading figures of the Radical Left faction and great critics of the Pragmatists faction (Behdad 1995: 121-122).
While the Conservative faction, especially the bazaaris among its supporters, welcomed (limited) economic liberalization, it opposed his liberal attitude in socio-cultural issues (chapter 4.3) and his pragmatic approach to foreign policy (chapter 5.3) or what they called the “Westernization” of the IRI. The Radical Left faction in contrast, opposed Rafsanjani’s liberal economic policies and pragmatic foreign policy while supporting his socio-cultural views.

### 2.6.3 Factional Rivalries for Power 1997-2005

By 1995, factionalism had entered a new stage. Rafsanjani and his Pragmatist faction gradually shifted from an alliance with the Conservatives to the Left faction. Although, on opposite sides of the factional spectrum, the Pragmatists and the Radical Left shared some ideological facets, such as a common belief in a moderation of the socio-cultural sphere. Additionally, both factions supported a modern economic policy, with the Left stressing a state-initiated industrialization and the Pragmatists a greater participation of the private sector. The Conservative faction mainly represented the interests of the traditional economic classes – especially the bazaaris – and protected the activities of the religious foundations. Besides their ideological similarities three other factors had brought the Pragmatists and the Radical Left factions closer together by 1994:

1. A decrease in radicalism on the side of the Radical Left faction;
2. More statism from the side of the Pragmatist faction;
3. A shared interest to confront the Conservative faction.

What probably still was a point of division between the two factions were the relations with the US, although many members of the Radical Left faction had already softened their position on that issue (Moslem 2002: 142-43, 227-23).

#### Table 2.2 Political Positions of Political Factions 1979-1989

<table>
<thead>
<tr>
<th>Faction</th>
<th>Politics</th>
<th>Economy</th>
<th>Socio-cultural issues</th>
<th>Foreign Policy</th>
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<tbody>
<tr>
<td>Conservative Faction</td>
<td>Conservative¹</td>
<td>Traditional²/Liberal³</td>
<td>Conservative⁴</td>
<td>Conservative⁵/Liberal⁶</td>
</tr>
<tr>
<td>Radical Left Faction</td>
<td>Conservative¹</td>
<td>Nationalist⁴</td>
<td>Liberal⁵</td>
<td>Conservative⁷</td>
</tr>
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</table>

**Notes:**
- Politics: ¹conservative (supportive of the velayat-e faqih)
- Economy: ²traditional (supportive of the traditional economic sectors)
- ³liberal (market economy)
- ⁴nationalist (state controlled economy)
- Socio-cultural issues: ⁵conservative (great restrictions on individual freedom)
- ⁶liberal (limited individual freedom as legitimized by Islam)
- Foreign policy: ⁷conservative (isolation)
- ⁸liberal (dialogue with the US)
The crisis of the IRI after the death of Khomeini led, in the early 1990s, a number of religious lay Islamist intellectuals and activists to criticize the political structure of the IRI. Among these critics was the intellectual and writer Abdolkarim Soroush, who enthusiastically had supported Khomeini, during the revolutionary period in 1978-79, and in the early 1980s belonged to the Radical Left faction of the IRI. He was a member of the Council of the Cultural Revolution, and used to play an important role in formulating the ideology of the IRI during its initial phase of existence. But, in the early 1990s, he and other thinkers and writers became increasingly dissatisfied with the IRI. Abdolkarim Soroush criticized the inflexibility of the ideology of the IRI, the influence of the clergy in the political system of the IRI, and especially the position of the supreme leader within it. In his later works, Soroush, has called for a reformation of Islam from “within,” paving the way for more pluralism within Islam and an “Islamic democracy” (see further chapter 4.3.3.1). However, his ideas appeal more to those whose aim it is to carry out reforms based on Islamic ideals, but not so much to those Iranians who have become concerned with secular democracy outside Islamic reform. That means, as the reform debate no longer is reserved to those within the political regime but also to the public, the religious lay intellectuals have become less central within the democracy debate (Gheissari and Nasr 2004: 96-97).

In the mid-1990s the Reformist faction emerged out of the Radical Left faction that gradually ceased to exist. With the election of Mohammad Khatami as president it became institutionalized. Against the backdrop of the complex of problems the IRI has been confronted with – including increasing unemployment, inflation, economic mismanagement (chapter 3), and restrictive socio-cultural policies – the struggle for power between the different factions and their different visions on economic, socio-cultural, and foreign policy issues has intensified (Chubin 2002: 18).

### Table 2.3 Political Positions of Political Factions 1989-1997

<table>
<thead>
<tr>
<th>Faction</th>
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<th>Economy</th>
<th>Socio cultural issues</th>
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<tbody>
<tr>
<td>Conservative Faction</td>
<td>Conservative¹</td>
<td>Traditional²/Liberal³</td>
<td>Conservative⁴</td>
<td>Conservative⁵/Liberal⁶</td>
</tr>
<tr>
<td>Pragmatist Faction</td>
<td>Conservative¹</td>
<td>Liberal³</td>
<td>liberal⁶</td>
<td>Liberal⁷</td>
</tr>
<tr>
<td>Radical Left Faction</td>
<td>Conservative¹</td>
<td>Nationalist⁸</td>
<td>liberal⁸</td>
<td>Conservative⁹/Liberal¹⁰</td>
</tr>
</tbody>
</table>

Notes:

Politics: ¹conservative (supportive of the velayat-e faqih)

Economy: ²traditional (supportive of the traditional economic sectors), ³liberal (market economy), ⁴nationalist (state controlled economy),

Socio cultural issues: ⁵conservative (great restrictions on individual freedom), ⁶liberal (limited individual freedom as legitimized by the Islamic ideology)

Foreign policy: ⁷conservative (isolation), ⁸liberal (integration in international relations).
During Mohammad Khatami’s presidency some clergy intensified their critique of the political system. These thinkers, some of whom had already initiated their critique before the mid-1990s, put forward new religious and political formulations that, in various ways, differed from the theocratic vision of the principle of the velayat-e faqih. In some regards, these reformist clergy were continuing what Abdolkarim Soroush had started. However, given the fact that their critique came from within ulama circles, it carried particular significance. The most notable reformist clergy are Ayatollah Hossein-Ali Montazeri (at one time Khomeini’s heir apparent), the late Mehdi Haeri-Yazdi (a noted philosopher and senior member of the clergy), Seyyed Mostafa Mohaqeq-Damad (a prominent professor of Islamic law and an authority on the judiciary), Mohsen Kadivar (a student of Montazeri and candidate for president in the elections of 2005), Mohammad Mojtahed Shabestari (full professor of philosophy at the University of Tehran), Mohsen Saidzadeh (writer on human and women’s rights) and Hassan Yousefi-Eshkevari (writer) (Kamrava 2003; Mirhosseini 1998). The reformist clergy, each in different ways, question the primacy of the supreme leader in the Islamic state (Mojtahed-Shabestari 2000).

The urgency for reform, even felt by the Iranian political elite, made the way free in the late 1990s for President Khatami to carry out some reforms, encourage debate and criticism, and support popular sovereignty. With these promises Khatami won four elections: two presidential (1997, 2001); one parliamentary (2000); and one in local councils (1999). Each election with a large majority of about 70 percent of the votes. The post-revolutionary generation became increasingly disappointed, but also angry, with: the ruling elite; the lack of political and cultural freedom; and economic distress. Mohammad Khatami was seen as the regime’s ultimate savior. President Khatami’s plans to guarantee the supremacy of the rule of law and the need for civil society were

<table>
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<tbody>
<tr>
<td>Conservative</td>
<td>Conservative(^1)</td>
<td>Traditional(^2)/Liberal(^3)</td>
<td>Conservative(^4)</td>
<td>Conservative(^5)/Liberal(^6)</td>
</tr>
<tr>
<td>Pragmatist</td>
<td>Conservative(^1)</td>
<td>Liberal(^7)</td>
<td>liberal(^8)</td>
<td>Liberal(^9)</td>
</tr>
<tr>
<td>Reformist</td>
<td>Conservative(^1)Liberal(^2)</td>
<td>Liberal(^8)</td>
<td>liberal(^9)</td>
<td>Liberal(^9)</td>
</tr>
</tbody>
</table>

Notes:
Politics:
\(^1\)conservative (supportive of the velayat-e faqih system),
\(^2\)liberal (limits to the velayat-e faqih system.)
Economy:
\(^3\)traditional (supportive of the traditional economic sectors),
\(^4\)liberal (market economy).
Socio cultural issues:
\(^5\)conservative (great restrictions on individual freedom),
\(^6\)liberal (limited individual freedom as legitimized by the Islamic ideology),
\(^7\)liberal + (individual freedom).
Foreign policy:
\(^8\)conservative (isolation),
\(^9\)liberal (integration in international relations).
embraced by the so-called “2nd of Khordad” coalition (the date when Khatami was first elected), consisting of:

“politically students and young first-time voters, women, pro-democracy liberals, human right activists, arising secularists, reform-minded-clerics, disadvantaged economic strata and a critical mass of voters seeking change” (Amuzegar 2004: 76-77).

However, all groups who saw in President Khatami a hope for change were already disappointed within the first four years of his presidency. The low voter turnout in his second run for office (67 percent compared to 83 percent four years earlier) reflected this discontent. During this period, the Conservatives, for their part, feared losing their power. If political authority was to be passed on from the divine (velayat-e faqih) to the popular, this would threaten their own position within the political system and their control of important state institutions and their aligned institutions (Chubin 2002: 20-21). In 2005, the Conservatives, therefore, supported Mahmoud Ahmadinejad in the presidential elections.

2.6.4 Factional Rivalries for Power Since 2005

Mahmoud Ahmadinejad (his original name is Mahmoud Saborjian) has stuck to his beliefs since his childhood. This fact has been the most important aspect of his career. During the 1970s when many young Iranians turned secular Mahmoud Ahmadinejad did not. When the Islamic revolution took place, people, like Ayatollah Seyyed Mohammad Hosseini Beheshti, became aware of Mahmoud Ahmadinejad’s loyalty and helped him further his career. After the Islamic revolution and the war with Iraq, members of the IRGC became businessmen and made a lot of money. Ahmadinejad stayed a civil servant until he was elected president. During the late 1990s and early 2000s, former members of the IRGC, such as Akbar Ganji, and also members of the Conservative faction joined the Reformist faction. Mahmoud Ahmadinejad was one of the strongest opponents of the Reformist faction. Supreme leader Khamenei noticed Mahmoud Ahmadinejad when he was looking for a loyal person as president. This was the main reason why Khamenei supported Ahmadinejad’s candidacy and why Mahmoud Ahmadinejad was able to rise to be president (Javedanfar 29 May 2007).

It is interesting to note that during the presidential election of 2005 all candidates, including Mahmoud Ahmadinejad, very rarely referred to the Islamic ideology or Ayatollah Khomeini’s ideas. As Adib-Moghaddam notes (2006: 668), the candidates no longer strive for the approval of the supreme leader but for the vote of the people. But, the fact that Mahmoud Ahmadinejad did not refer to Ayatollah Khomeini’s ideology during his

45 Ayatollah Beheshti was an Iranian clergy, the secretary-general of the IRP, and the head of the IRI’s judicial system. He was killed at the age of 52 together with more than seventy members of the IRP on 28 June 1981 by a bomb planted by the radical group Mujahedin-e Khalq.
electoral campaign can also be understood differently. As Mohammadi (August 2007) notes, President Ahmadinejad represents a group of people within the Iranian political elite with a military background, that sees its legitimacy not based on the velayat-e faqih system but on the Twelfth Imam directly. Examples are: Ahmadinejad’s statement that he was “enveloped in a halo of light” at the UN; and Ayatollah Meshkini’s claim that all members of the seventh majles have been approved by the Twelfth Imam. This group’s ideology does not rely on the revolutionary principles, as developed by Ayatollah Khomeini, but on a kind of “utopia.”

Mahmoud Ahmadinejad was brought to power by the Conservatives and the Iranian poor, the latter of which he promised a better life (Leroi-Ponant December 2006). In his electoral campaign, Mahmoud Ahmadinejad had criticized the large gap between rich and poor, and corruption. By voting for him, people showed their criticism of the previous two presidents, Hashemi Rafsanjani and Mohammad Khatami, who were not able to narrow the gap between rich and poor. As Gasiorowski notes, some of those who voted for Mahmoud Ahmadinejad also felt that their criticism on the socio-cultural liberalization policies (a loose dress code for women, public romantic activity, and gender mixing) was best represented by him. Therefore, it is not so clear whether mainly poor people voted for him or those who are against more liberal socio-cultural policies. However, Gasiorowski thinks the rich-poor divide was probably more important for his election:

“The gap between Iranians who support and those who oppose this liberalisation largely parallels the rich-poor divide, so it is difficult to say how much the election reflects anger at liberalisation and how much at the gap between rich and poor. My guess is that the election outcome mainly reflects the latter, but the former certainly was important for some” (Gasiorowski 29 June 2007).

Mahmoud Ahmadinejad’s victory in the second round was not very surprising, given the fact that his only competitor was Hashemi Rafsanjani, during whose presidency thousands of Iranian political prisoners were executed46, and who is one of the richest men in the IRI. Hashemi Rafsanjani, thus, was not a very attractive candidate to vote for. But, Mahmoud Ahmadinejad’s victory should also not be exaggerated. In the second round only 36 percent of the electorate voted for him while in the first round 38 percent voted Conservative candidates and 40-45 percent Reformist or Pragmatist candidates. The Iranian electorate was thus polarized (Gasiorowski 29 June 2007).

46. In 1999 Ervand Abrahamian published a book, an investigation on torture and executions in Iran since the Islamic revolution. Special attention is paid to the mass executions of political prisoners in 1988, during which (depending on the source) 2,500 to 12,000 people were killed. The mass killings were hardly noticed in the Western press at the time and are not discussed in the Iranian press until today, even in the reformist newspapers. See further Abrahamian, E. Tortured Confessions: Prison and Public Recantations in Modern Iran (Berkeley: University of California Press, 1999).
Ahmadinejad’s election as president, in 2005, brought to power a marginalized minority branch of the Conservative faction, termed by the reformist newspaper *Shargh* and by Ehteshami and Zweiri (2007) “neo-Conservatives,” or “military traditionalists” by Mohammadi (August 2007). This group had become radicalized after the Iran-Iraq war when it was excluded from policy-making by the then dominant factions of the Iranian political elite, the Pragmatist faction. Mahmoud Ahmadinejad represents a group of younger ideologues closely connected to the revolutionary military forces (the IRGC and the *Basij militia*). Most members of Ahmadinejad’s cabinet are second-generation revolutionaries without any political experience. Their worldview is dominated by the events of 1979. They argue that the Iranian society has been unsuccessful in realizing the revolutionary Islamic principles. In contrast to these ideas, the Conservatives now recognize that there are limits to implementing Khomeini’s radical ideas (Hen-Tov 2007).

During his electoral campaign Ahmadinejad complained bitterly about Iran’s moral and cultural decay. He (himself a non-cleric) accused his two predecessors (President Rafsanjani and President Khatami, two fairly high-ranking clerics) of having failed to establish a “true Islamic state” in Iran. He criticized the huge state bureaucracy and state centrism. Like other presidential candidates he kept away from foreign policy, but focused on the economy. Ahmadinejad promised the Iranian people “to put the oil money on everyone’s dinner table.” He said he would put an end to what he called the “oil mafia.” But, unlike President Rafsanjani and President Khatami, with their Structural Adjustment Program and Economic Rehabilitation Plan (chapter 3), President Ahmadinejad had no profound economic plan to bring Iran out of its economic crisis (Amuzegar 2007: 38-40).

After his election as President, Ahmadinejad undertook a profound reorganization of power in the state apparatus, with several thousand posts changing hands, even down to university rectors and deans (Leroi-Ponant December 2006).

Still, Mahmoud Ahmadinejad’s victory was a victory for the Supreme Leader Khamenei rather than Ahmadinejad himself. Supreme Leader Khamenei and his Conservative faction now control Iran’s domestic and foreign policy institutions.47

The Iranian political elite

But as outlined above, the 2005 presidential election also split the Conservative faction (Table 2.5), between the Conservatives and neo-Conservatives (Sohrabi April 2006: 3), to which President Ahmadinejad belongs.

People like Hashemi Rafsanjani have the most to fear from President Ahmadinejad’s policies, and promises to combat corruption and alleviate income equality. This conflict of interest has created tensions between Hashemi Rafsanjani and President Ahmadinejad, and will affect Iran’s politics in the short-term.\footnote{Kamal Nazer Yasin, “Climatic Political Battle Between Hardliners and Pragmatists Looms in Iran,” \textit{Eurasia Insight}, (21 November 2005), http://www.eurasianet.org, http://www.eurasianet.org/departments/insight/articles/eav112105a.shtml.}


In October 2005, Supreme Leader Khamenei, extended Expediency Council Chairman, Hashemi Rafsanjani’s, powers by granting the Expediency Council greater oversight over the president, the \textit{majles} speaker, and the head of the judiciary system. This

\begin{table}
\centering
\begin{tabular}{|c|c|c|c|}
\hline
\textbf{Faction} & \textbf{Politics} & \textbf{Economy} & \textbf{Socio cultural issues} & \textbf{Foreign policy} \\
\hline
\textbf{Neo-Conservative} & Conservative\textsuperscript{1} & Traditional\textsuperscript{1} & Conservative\textsuperscript{1} & Conservative\textsuperscript{1} \\
\hline
\textbf{Conservative} & Conservative\textsuperscript{1} & Traditional\textsuperscript{1}/Liberal\textsuperscript{4} & Conservative\textsuperscript{1}/Liberal\textsuperscript{6} & Conservative\textsuperscript{1}/Liberal\textsuperscript{6} \\
\hline
\textbf{Pragmatist} & Conservative\textsuperscript{1} & Liberal\textsuperscript{4} & Liberal\textsuperscript{6} & Liberal\textsuperscript{9} \\
\hline
\textbf{Reformist} & Conservative\textsuperscript{1}/Liberal\textsuperscript{2} & Liberal\textsuperscript{4} & Liberal\textsuperscript{6} & Liberal\textsuperscript{9} \\
\hline
\end{tabular}
\caption{Political Positions of Political Factions (since 2005)}
\begin{flushleft}
Notes:
\end{flushleft}
\begin{flushleft}
Politics: \textsuperscript{1}conservative (supportive of the velayat-e faqih), \textsuperscript{3}liberal (limits to the velayat-e faqih system).
\end{flushleft}
\begin{flushleft}
Economy: \textsuperscript{1}traditional (supportive of the traditional economic sectors), \textsuperscript{3}liberal (market economy).
\end{flushleft}
\begin{flushleft}
Socio cultural issues: \textsuperscript{1}conservative (great restrictions on individual freedom), \textsuperscript{4}liberal (limited individual freedom as legitimized by the Islamic ideology)
\end{flushleft}
\begin{flushleft}
Foreign policy: \textsuperscript{1}conservative (isolation), \textsuperscript{9}liberal (integration in international relations).
\end{flushleft}
move is an empowerment not only of Hashemi Rafsanjani but also of the Pragmatist faction of the Iranian political elite. It is also believed that Supreme Leader Khamenei empowered Hashemi Rafsanjani after pressure by some figures of the political elite, among whom were the Head of the Judiciary, Ayatollah Mahmoud Hashemi Shahroudi, and Head of the Assembly of Experts, Ayatollah Ali Akbar Meshkini.

The ayatollahs had been forced by Ahmadinejad to write reports on the activities of the organizations and institutions in their charge, which led to demands for Supreme Leader Khamenei to fire Ahmadinejad, referring to the firing of President Banisadr in June 1981. When Supreme Leader Khamenei rejected their demand they threatened to dispose Supreme Leader Khamenei himself. As an alternative, Supreme Leader Khamenei gave Hashemi Rafsanjani more power than President Ahmadinejad (Savy on 17 November 2005).

Supreme Leader Khamenei has issued several decrees restricting President Ahmadinejad’s executive powers, e.g. a decree based on which, on 25 June 2006, the Strategic Council on Foreign Relations (Shora-ye Rahbordi-ye Ravabet-e Khareji), composed of former government ministers, was created. The Strategic Council on Foreign Relations is headed by Kamal Kharrazi, former Minister of Foreign Affairs during Khatami’s presidency (RFE/RL 29 June 2006). The creation of the Strategic Council on Foreign Relations is a demonstration of Supreme Leader Khamenei’s discontent with President Ahmadinejad’s confrontational approach to foreign policy. It is supposed to facilitate the country’s decision-making process, search for new approaches to foreign policy, and make use of foreign policy experts (Samii 29 June 2006).

During the local council elections, on 15 December 2006, President Ahmadinejad experienced a setback, with a large victory for members of the Conservative faction, who are critical of Ahmadinejad. Though the council elections do not affect Ahmadinejad’s government and, therewith, its political course, through these elections the Iranian people could, for the first time since he became President in 2005, show their discontent with President Ahmadinejad (The Associated Press 18 December 2006).

The arrest of 15 British sailors and marines in the Shatt al-Arab waterway, in March 2007, highlighted the problems of legitimacy President Ahmadinejad has gained recently. The soldiers were arrested by the IRGC, which is one of the main pillars of support for Ahmadinejad. It was impossible to negotiate with them about the release of the 15 British. It was finally Ali Ardashir Larijani, Secretary of the SNSC, an advocate of dialogue with the West, who recommended to Supreme Leader Khamenei that he free the captives. He, also, talked to Sir Nigel Shelnwald, former British Prime Minister Tony Blair’s foreign policy advisor. Mahmoud Ahmadinejad and Ali Larijani were both candidates for president in the presidential elections of 2005. They will probably run

50. Ayatollah Meshkini was the first and only head of the Assembly of Experts until summer 2007. He died on 30 July 2007. In September 2007 Hashemi Rafsanjani was elected as his successor.
Larijani’s recent resignation as Secretary of the SNSC, in October 2007 (BBC News 20 October 2007), yet again shows the frictions that exist within the Conservative faction of the political elite. It is not yet clear whether he was forced to abdicate, or left his post voluntarily, after a short visit of Russia’s president Putin to Tehran making new offers regarding the Iranian nuclear issue. In the short term, the resignation of Larijani might strengthen Ahmadinejad and his neo-Conservative allies. In the long term however, Larijani might be able to bring large parts of the Conservative faction behind him to support him during the presidential elections in 2009.

Another sign that the neo-Conservatives might have been weakened is the election of Hashemi Rafsanjani, in early September 2007, as head of the Assembly of Experts. He was elected with 41 votes. His closest rival, Ahmad Jannati, received only 34 votes. Rafsanjani replaces Ayatollah Meshkini who died on 30 July 2007. Ayatollah Meshkini headed the Assembly of Experts for 27 years. This election is interesting, as Hashemi Rafsanjani is one of President Ahmadinejad’s main rivals and now heads one of the most powerful state institutions of the IRI. The Assembly of Experts not only elects the supreme leader but may also dismiss him, if he does not fulfill his duties.

Only a couple of days before, Supreme Leader Khamenei had replaced the commander of the IRGC. The new commander, Mohammad Ali Jafari, used to be in favor of carrying out a crackdown on students’ demonstrators in the July 1999 demonstrations. At the same time, he stands close to Mohsen Rezale, who was commander of the IRGC between 1981 and 1997, and who ran in the presidential elections of 2005 against Mahmoud Ahmadinejad. Mohsen Rezale is in favor of dialogue with the US on the nuclear issue (Slavin 4 September 2007).

Both appointments are a setback for President Ahmadinejad.

According to Javedanfar, however, it is very unlikely that Ahmadinejad will be kicked out of his office before the end of his term:

“The only way Ahmadinejad could be pushed out of his office earlier than the next presidential elections is if Iran’s Supreme Leader Ayatollah Khamenei decided to cut Ahmadinejad’s term, which he could do through the parliament and the Guardian Council. Despite the decline in Ahmadinejad's popularity, it is my firm belief that Khamenei will not cut his term, and Ahmadinejad is going to complete his term, which runs out in June 2009. This is because Ayatollah Khamenei thrives on internal stability. This is his number one priority. To push the president out could bring about instability as it would raise the ire of conservatives, who despite Ahmadinejad’s problems, do not want him to lose out to reformists or pragmatists who they view as their bitter rivals.”

He further argues that such an act could be understood as a sign of weakness in the eyes of the US and Europe.

2.7 Summary

The Iranian Islamic revolution brought about a political regime whose nature in the first ten years after the revolution of 1979 was closest to totalitarianism, whilst since then it has rather been of an authoritarian nature with some democratic features. The constitution of 1979 grants supremacy to the supreme leader based on the velayat-e faqih system, while the republican institutions are based on a modern state that finds its origins in the constitution of 1906. The political regime of the IRI is composed both of formal and informal power centers. The formal power centers consist of: the supreme leader; the religious supervisory bodies (the Council of the Guardian, the Assembly of Experts, the Expediency Council and institutions that are considered to be the extended arms of the Supreme Leader with no legal status); the republican institutions (the executive, judiciary, and the legislative); and the religious foundations. The members of the religious supervisory bodies and the heads of the religious foundations are not elected by the people and not responsible to them. Only the six non-clerical members of the Council of the Guardian are appointed by parliament. The informal power centers are: the different political factions of the political elite (the Conservative faction, the Pragmatist faction, and the Reformist faction) that cut across the state institutions and their aligned institutions, such as the heads and members of state institutions, religious-political associations, the religious foundations, and paramilitary organizations; those individuals that directly or indirectly participate in the decision-making process in Iran and/or in the ideological discourse.

Although all three political factions fall within the pro-Islamic republic sphere, they differ in their respective position on socio-cultural, economic, and foreign policy issues.

However, what is important to note is that, while the different ideas of the factions on political, economic, socio-cultural and foreign policy are often considered as ideological, they in fact cover the defense of material interests and power of the factions, especially the Conservative faction, which fears to losing its control of economic institutions (the religious foundations) and the security organizations. The economic strength of the different political factions is based on their different financial sources. While the Pragmatist and the Reformist factions rely on official economic sources within the fiscal tools, the Conservative faction receives its major income from religious sources and the foundations, outside the fiscal tools. Until now, the Conservative faction has the political tools and fiscal means to maintain a dominant position both in political and economic life of the IRI.

Furthermore the political factions are not coherent groups:

(1) There is no clear leader in each faction and the factions consist of a loose coalition of groups and individuals;

(2) Since the death of Khomeini, the political factions have often modified their
views, mainly for short-term political reasons, and different opinions in one faction have often caused disruptions and the creation of alliances with other factions or new factions;

(3) The factions have no coherent organizational structure and, also, no official political program;

(4) To tell which individual or organization belongs to what faction can only be seen by how an individual or an organization sees itself, not by official membership.

The existence of the three main political factions and their differing ideas on economic, socio-cultural, and foreign policy issues are the result of a rivalry for power that started with the establishment of the IRI in 1979, and continues until today. The rivalry between the different factions can be distinguished into four phases:

(1) From 1979 until 1989, the rivalry was between the Conservative faction and the Radical Left faction. Shortly after the Islamic revolution Ayatollah Khomeini eliminated the secular and liberal Islamic social forces from power. The Radical left faction became dominant. It followed a dogmatic policy based on state-controlled and egalitarian economic policy, and the Export of the Revolution;

(2) From 1989 to the mid 1997, there was a rivalry for power between the Conservative faction, the Radical Left faction, and the Pragmatist faction. The latter faction split from the Conservative faction. During Hashemi Rafsanjani’s presidency, the Radical Left faction was gradually eliminated from power. Supreme Leader Khamenei was not as charismatic a leader as Ayatollah Khomeini. Therefore, President Rafsanjani set the direction and principles of the IRI, following a policy of social and economic liberalization. The Conservative faction, especially the bazaaris among its supporters, welcomed economic liberalization, but opposed Rafsanjani’s liberal attitude in socio-cultural issues and his pragmatic approach to foreign policy (chapter 5). The Radical Left faction opposed Rafsanjani’s liberal economic policies and pragmatic foreign policy while supporting his socio-cultural views;

(3) From 1997 to 2005, the rivals were the Conservative faction, the Pragmatist faction, and the Reformist faction. The latter of which emerged out of the Radical Left faction, when it ceased to exist. Through the election of Mohammad Khatami as president the Reformist faction became institutionalized. Among President Khatami’s political plans were a guarantee of the rule of law and strategy to bring the IRI out of its economic crisis. During his presidency issues, such as democracy and civil society, were discussed and the political system of the IRI based on the principle of the velayat-e faqih was questioned among clerical and lay intellectuals. However, President Khatami was not able to live up to his promises and he lost the support of the Iranian population. The Conservative faction feared to loose its power and supported Mahmoud Ahmadinejad in the presidential elections of 2005;

(4) Since 2005, the rivalries have been between the Conservative faction and its branch, the neo-Conservatives (to which President Ahmadinejad belongs), the
Pragmatist faction, and the Reformist faction. Ahmadinejad’s election as president brought to power a marginalized minority branch of the Conservative faction, the neo-Conservatives, most of whom have a military/security background and do not base their legitimacy on the ideas of Ayatollah Khomeini, but on the Twelfth Imam himself. President Ahmadinejad criticized the huge state bureaucracy and promised to close the gap between rich and poor in Iran. He even accused his forerunners, President Rafsanjani and President Khatami (two clergy) of having failed to establish a real Islamic state. Ahmadinejad is criticized for his economic and foreign policies even from his neo-Conservative allies. One of his greatest critics is Hashemi Rafsanjani. It is not yet clear whether the neo-Conservative faction will be strengthened in the course of time or rather weakened. The election of Hashemi Rafsanjani as head of the Assembly of Experts, Ali Larijani’s resignation as Secretary of the SNSC, and the appointment of Mohammad Ali Jafari as commander of the IRGC by Supreme Leader Khamenei rather tend to proof the latter.

Since the Islamic revolution, political power, power over the military, and power over the economic system has mainly been in the hands of the Conservative faction of the political elite. That means the Conservative faction, up until now, has been the driving force behind economic, socio-cultural, and foreign policy formulation since the revolution.

In the following chapters 3-6, the effects of the rivalry between the different factions for power since the Islamic revolution over economic, socio-cultural, and foreign policy formulation will be analyzed. The central guiding questions for all chapters are: what is the driving force for a faction to pursue specific policies, are the motives ideological, pragmatic, or a combination of both? What roles do domestic and global developments play in policy formulation?
Chapter 3
Factional Rivalries and Economic Policies

3.1 Introduction
This chapter discusses the varying approaches of the different political factions in Iran to economic issues and the impact of the rivalries for power, between the factions, on economic developments since the Islamic revolution.

In the early years after the Islamic revolution the position that became dominant in the IRI was that of the Radical Left faction which promoted state intervention, high taxation, and the limitation of property rights. This was followed by comprehensive economic restructuring policies in all sectors of the economy: industry, services, and agriculture. The expansion of the governmental role in the economy, in the first ten years after the revolution, was not primarily characterized by a shift from private to public ownership but by direct state intervention in the economy. However, this did not mean that the market economy was replaced by a planned economy. To the contrary, it was the first time since 1949 that no medium-term development planning was applied.

Economic restructuring in the first ten years after the Islamic revolution had a great impact on economic developments in Iran (see Karshenas and Pesaran 1995: 97 and Karshenas and Hakimian 2000: 34-35). By the end of the 1980s the country was confronted with high unemployment rates, inflation, a large budget deficit, and a wide balance-of-payments gap.

In the late 1980s gradually a new political faction, the Pragmatist faction, emerged, led by Hashemi Rafsanjani. The election of Rafsanjani as president in 1989 and the appointment of Ayatollah Khamenei as the new supreme leader, after the death of Ayatollah Khomeini, had a decisive impact on the course economic policies would take. The Pragmatist faction, under the leadership of President Rafsanjani, aimed at market-based rapid economic reform and a non-isolationist foreign policy, for full reintegration of Iran into international economic institutions. In his two terms of presidency (1989-1993 and 1993-1997) Rafsanjani was able to remove some constraints on the economy, but could not resolve its structural problems, including a poor production sector, reliance on oil and gas revenues, uncompetitive markets, and an improper budgeting system.

When Mohammad Khatami won the presidential elections in May 1997, in a nationwide popular longing for change, he was considered as the ideal agent to bring about that change. Though the economy was in a much better condition than during the first ten years of the IRI, when President Khatami took over the economy from Hashemi Rafsanjani, it was still badly planned and managed, centralized, and structurally distorted. During his presidency Khatami was relatively successful in pushing forward his political, socio-cultural, and especially foreign policy agenda, but failed on the economic front. Since the election of Mahmoud Ahmadinejad as president in 2005 the economic situation in Iran has not changed for the better. Ahmadinejad is even criticized by his neo-Conservative allies of the Conservative faction for his poor economic policies.
3.2 Economic Restructuring during Khomeini’s Leadership (1979-1989)

From the early days in post-revolutionary Iran, the economy had become a central point of rivalry among the various political groups who had supported the revolution. In general, two positions on how to organize the economy could be distinguished:

(1) The first position promoted the protection of private-property rights and limited nationalization policies. From this viewpoint the state should provide sufficient space for the private sector to function. The representatives of this position were democratic secularists like the National Front and also Mehdi Bazargan’s Liberation Movement of Iran, the bazaaris, the industrial and agricultural entrepreneurs, and the Conservative faction of the Iranian political elite. Also, a significant part of the urban middle class and even the Grand Ayatollahs supported this view, except for Ayatollah Khomeini and Ayatollah Montazeri who did not want to take clear positions in order not to confront the different views (Behdad 1995: 104-105, 1988: 111-112; Halliday, 1983: 187; Ajami 1989: 155). Despite their ideas on the organization of the economy similar to the Conservative faction, the liberal Islamic social (counter) forces were gradually eliminated from the political arena, while the Conservative faction surrendered;

(2) The second and dominant position represented by the Radical Left faction promoted an interventionist state and the imposition of far-reaching limitations to private-property rights. Among the supporters of this view were Ayatollah Beheshti, Hashemi Rafsanjani [then speaker of Parliament and later President (1989-1997)] and Ayatollah Montazeri. It was also these people who initiated the setting-up of different revolutionary foundations to create a grass-roots support for the Islamic regime (Behdad 1995: 105, 1988: 112).

The only aspect that united the two positions of the Conservative faction and the Radical Left faction, as the economist Jahangir Amuzegar points out, was:

“the allegation that the economy under the Pahlavis was unhealthy and non-viable […],”

But, at the same time:

“There was no consensus of opinion on an appropriate new economic model. In fact, there were


55. The high-ranking ayatollahs are considered indisputable authorities on Islamic jurisprudence. Their opposition to the interventionist economic policies of the Radical Left faction, that was to become the dominant faction among the political elite after the Islamic revolution, was a serious challenge (Behdad 1995: 105, 1988: 111).
profound differences in analysis and outlook between traditional bourgeois elements in and out of the bazaar on the one hand, and radical reformers in and out of religious circles on the other” (Amuzegar 1993: 310).

Those segments of the political elite that favored state intervention, the Radical Left faction\textsuperscript{56}, finally gained power and expanded the public sector in the IRI. One of those figures that, to a great extent, put the economic restructuring policies into practice was Abolhassan Banisadr, who in 1980 became the IRI’s first elected president. The \textit{Economist} stated in 1980 (23 February) that Banisadr’s intellectual as well as political guidance, his function as Khomeini’s economic theoretician, principal adviser, minister of finance, and his presidency enabled the transformation of the Iranian economy into Islamic radicalism. In 1981, however, Banisadr was forced to abdicate because he openly criticized the \textit{velayat-e faqih} system (Bazargan 1983, 1984; Rahnema and Nomani 1990).

After Banisadr’s abdication, the clerics gained complete control of the state institutions and an open conflict broke out between the two main factions: the Conservative and the Radical Left factions. This conflict was most clearly carried out between the Radical Left dominated first (1980-1984) and second (1984-1988) \textit{majles} and the Conservative dominated Council of the Guardian. According to the constitution of the IRI the Council of the Guardian is empowered to ratify laws passed by parliament. During the first and second majles parliament, dominated by the Radical Left faction, kept passing laws, whilst the Council of the Guardian kept rejecting them, arguing that they were un-Islamic or against the writings of the \textit{Quran}. The bazaar merchants supported the Council of the Guardian in its decisions, as well as the industrialists and the proprietors, who considered the domination of the state over the economy a serious restraint on their activities. Thus, the position, which in the early post-revolutionary period was proclaimed by Bazargan’s Liberation Movement, was now represented by a powerful faction of the clergy, with strong Islamic revolutionary background, and those who strongly believed in the tradition of Islamic jurisprudence (Behdad 1995: 107).

\textsuperscript{56.} The influence of the Radical Left faction can be found in the economic dimensions of the constitution. According to Article 44 in chapter IV the national economy comprises 3 sectors: first state, then co-operative, and finally private sectors. The state sector should include all the large-scale and major industries, foreign trade, major mineral resources, banking, insurance, and energy. The co-operative sector should include co-operative companies and institutions that are involved in production and distribution. The private sector is limited to those economic activities that “supplement the economic activities of the state and co-operative sectors” (Algar 1981: 44-45). In July 2006 Supreme Leader Khamenei issued a decree to privatize state industries by amending Article 44 of the constitution, which had banned the privatization of state institutions. Articles 47 and 49 define the right to own property based on the legitimacy or illegitimacy of ownership. According to Article 47 of the constitution “private ownership, legitimately acquired, is to be respected. The relevant criteria are determined by law.” In Article 49 illegitimate sources of ownership are defined. These include, in addition to usury, bribery, theft and illicit sources, the usurping and misuse of endowments (\textit{waqt}), i.e. landed property belonging to the clergy (Algar 1981: 46-47).
3.2.1 Economic Policies 1979-1989
In midsummer 1979 the Provisional Government introduced the Law for the Protection and Expansion of Iranian Industry. The government confiscated enterprises of people who had fled the country (Bayat 1987), the country’s banks, insurance companies, and major industries. By late 1983 about 14 percent of large industries (986 units out of 6,142 units) were owned and managed by the state. Of these enterprises 28 percent produced basic metals, 24 percent chemical, 23 percent paper, and 24 percent wood. The public industries were responsible for about 62 percent of industrial investment and accounted for 70 percent (432,000 people) of the workforce in these units (Statistical Center 1985).

Many of the deprivatized enterprises that originally had been owned by the Shah, his ruling elite and other Iranians who had fled the country after the revolution, including hundreds of companies in all sectors of the economy, were given to state-supported and clerical controlled religious foundations (Karbassian 2000: 621; Amirahmadi 1995), among which the Foundation of the Oppressed and Disabled (the biggest economic entity in the Middle East) and the Martyrs’ Foundation. Together with the Industrial Development and Renovation Organization (IDRO), the religious foundations con-

57. The restructuring of industries took place in heavy industries, industries of the 51 families that had closely been aligned to the Shah and his family, and those industries whose liabilities exceeded their assets. The most important industrial families before the revolution, that all together owned about 390 big enterprises, included: Farmanfarmaian (74 enterprises), Khosrow-Shaby (67 enterprises), Lajevardi (61 enterprises), Rezai (38 enterprises), Sabet (33 enterprises), Akhavan (22 enterprises), Wahabzadeh (21 enterprises), and Elqanian, Taymor Tash and Khayami (respectively 17, 16 and 10 enterprises) (Ravasani 1978).

58. The Foundation for the Oppressed and Disabled was established in March 1979, to take over and manage the wealth of the Pahlavi family and those that had cooperated with them. The resources the foundation has had under its control since then were to be used to improve the living conditions of people in need. It operates as a non-profit organization using the revenues from its property and private contributions to finance its welfare activities. Despite being a semi-private organization it is exempted from taxes and from public accountability. According to reports in 1984, the Foundation of the Oppressed and Disabled owned or had interests in: 64 small and large mines, 5,000 small productive units, 20,000 real estate properties, nearly 150 industrial enterprises, 140 construction firms, 250 commercial and trading companies, and three of Teheran’s leading newspapers, thousands of hectares of confiscated land, houses, theatres, and more than US$ 280 million of personal property, such as cars, carpets, and jewels (Amuzegar 1993: 100-101).

59. The Martyrs’ Foundation was established in March 1980 to financially support surviving relatives of the martyrs and the disabled veterans of the revolution and later the families of martyrs of the war with Iraq. It supports the families of more than 188,000 people who have lost their lives during the war (Yarshater 1987: 360-61). It also provides in-kind transfers, educational support, and housing services to widows, orphans, and victims of the war. The foundation does not support all victims, but limits its help to those who are most affiliated with the government. The foundation is subsidized by the government, receives private contributions, and has expropriated wealth at its disposal (Amuzegar, 1993: 101). In 1992 the Martyr’s Foundation owned 150 enterprises active in industrial production, construction, agriculture, commerce, and services, about 6,000 items of real estate in Tehran such as: villas, apartments, shops, malls, schools, hospitals, and hotels. Most of these buildings are used as housing for families of war dead. Additionally, it owns 140 orchards and plots of land (Yarshater 1987: 361). The foundation’s chairman since 1992 is Mohammad-Hossein Rahimian, appointed by Supreme Leader Ayatollah Khamenei.

60. IDRO was established in 1967 by the Shah to develop the industrial sector in Iran. In recent years it
trolled almost all of the country's state owned (large) industries (Amirahmadi 1990: 145).

Within the service sector the private banking system suffered most under the revolution. By early summer 1979 the private banks had been put under state control. In the fall of the same year six commercial and three specialized banks were formed. The banks had to become involved in development projects and, thus, changed their credit policy and sectoral priorities. Agriculture, non-oil exports, backward regions, rural activities, and small-scale industries received more credit, while domestic and international commerce, large-scale industrial establishments (units employing ten or more workers), and construction received less. The idea behind this was that involving banks in the production sector would bring about long-term benefits (Amuzegar 1993).

Another important development was the setting-up of Islamic Interest-Free Loan Funds (Sandogh-e Qarz al-Hassaneh, IFLF). These funds were mainly used by bazaaris to establish religious foundations. Before the revolution the official number of the IFLFs was about 200. After the revolution it had increased to 3,000 by 1988. Its number is now expected to be about 10,000 (Kayhan-e Havai 4 Aban 1988: 24, 27 Mehr 1988: 11; Motee and Namazi 2000: 9). According to a study by Fariba Adelkhah of 1988, in the same year the IFLF’s had a liquidity of 500 billion rials or 5 percent of Iran’s liquid cash (in Motee and Namazi 2000: 11).

There was also great pressure on the revolutionary government to prioritize reforms in the agricultural sector. Along with these reforms went the breakdown of law and order in the countryside. Farmers and farm workers seized land abandoned by their owners. Former landlords re-claimed their land which had been distributed under the Land Reform Program of Mohammad Reza Shah. They did this based on the argument that this Land Reform Program was “un-Islamic.” Revolutionary committees and local courts confiscated the land of those who were accused of having cooperated with the Shah regime and put it under control of the Foundation of the Oppressed and Disabled (Ashraf 1982; Bakhash 1985: ch. 8; Amirahmadi 1990: ch. 2). In September 1979 the Revolutionary Council passed a bill for “Transfer and Revival of Land” to distribute mawat (barren land) and arable estates confiscated from supporters of the Shah regime. An amended draft of the law was passed by the Revolutionary Council in April 1980 under the title of “Land Allocation and Rehabilitation” to regulate the

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61. Among which the Central Bank of the IRI (Bank-e Markazi Jomhouri Islami-e Iran); Agricultural Bank of Iran (Bank-e Keshavarzi-e Iran); Bank of Industry and Mine (Bank-e Sanat va Madan); Export Development Bank of Iran (EDBB).

62. The IFLF follow the Islamic banking system. Islamic banks claim to operate in accordance with the rules of sharia that is prohibiting raising interest on credits.

The Iranian political elite embarked on redistributing large-scale land. This law and another land law, passed by parliament in 1982, were rejected by the Council of the Guardian as “un-Islamic.” By December 1990 about 1.25 million hectares of barren land, according to the headquarter of the Land Allocation Boards, had been distributed among 200,000 rural families. Some 130,000 hectares of land out of 850,000, that had been occupied by peasants, were distributed among 20,000 farmers and 400,000 hectares of land given to their occupiers by 1992 (Kayhan Havai 19 December 1990: 10). The private ownership of confiscated land remains unclear, due to the different ideas on ownership rights between the political factions. As a result, private investors are reluctant to make long-term commitments.

The post-revolutionary political elite also embarked on reforming the oil sector. President Banisadr was one of the main figures to propagate a new oil policy. In the first months after the revolution both the Conservative and the Radical Left factions agreed on the necessity to reduce oil production and export. Furthermore, the activities of foreign oil companies in the Iranian oil sector should be terminated or at least decisively reduced (Bakhash 1984: 12-15).

The new oil policy ended the control of the oil consortium, which had been set-up by Mohammad Reza Shah in 1971. This consisted of the United Kingdom (46 percent); the United States (40 percent); the Netherlands (8 percent); and France (6 percent). Thus, the control of Iranian oil production, export, and marketing was transferred from the consortium to the National Iranian Oil Company (NIOC). As a result, all joint-venture oil companies were handed over to the NIOC, which was put under the supervision of the Ministry of Oil that was created in 1979. The war with Iraq, during which important oil installations were destroyed, resulted in a reduction of oil production and export and, therewith, a decline in the country’s oil revenues (Amirahmadi 1990: 72-75) diminishing the financial resources available to the government (Behdad 1995: 109).

3.2.2 International Trade Relations
International trade also came under supervision of the state. In line with the revolutionary ideology of economic self-sufficiency and inward-oriented growth, the Radical Left faction of the Iranian political elite demanded the strict management of imports and exports by the state. The control of foreign trade became a major issue in the rivalry between the Conservative and the Radical Left factions. In 1981 the majles passed the Foreign Trade Nationalization Act, according to which Iran’s imports and exports should fully be put under the supervision of the state. The Foreign Trade Nationalization Act required the setting-up of specialized public agencies in charge of imports, exports, commercial services, and other trade activities within the public sector. The government argued that foreign trade carried out by the private sector was against the “national interest” (Ministry of Commerce April 1981: 34-41). When the Council of the Guardian reviewed the Foreign Trade Nationalization Act it ultimately rejected it.
as both “un-Islamic” and “unconstitutional.” The Council stated that the inclusion of foreign trade in the public domain did not mean that, according to Articles 4 and 72 of the 1979 Constitution the state should get a complete monopoly on all exports and imports. The Council of the Guardian concluded that the Foreign Trade Nationalization Act was un-Islamic, as it would undermine the entrepreneurs’ right to sell their products at free market prices. Additionally, the Council of the Guardian did not believe that state bureaucracy would be able to handle some 200,000 import items every year, thus limiting economic progress and the service of the public interest. A state monopoly on trade would turn the state into a “giant employer” which was prohibited by Article 44(2) of the Constitution (see Ettela’at 6 Azar 1361).

In 1984 the majles approved a revised version of the Foreign Trade Nationalization Act. This revised version forbade the state on the one hand to have a total monopoly over imports, but on the other hand it assigned four fifths of the import trade in all “essential” goods to the government. Non-governmental importers needed the approval of the Ministry of Commerce and had to operate in a system of quota allocation and price supervision. Exports were also to be put into state hands. After the Council of the Guardian had reviewed the revised law it again rejected it. No other law regarding the legislation of foreign trade was put on the table thereafter. But the government finally achieved dominance and control over external trade and imports of non-oil products in the second half of the 1980s through the allocation of foreign exchange and the annual regulation of imports and exports.

The state became the prime importer of goods and services. A first step to put foreign trade under state control was the setting-up of a number of centers that would supervise the distribution of imports at the Ministry of Commerce. The centers had an exclusive monopoly over the import of metals, textiles, pulp and paper, machinery, spare parts, electrical equipment, foodstuffs, plastic materials, chemicals, and electronic wares. The centers were also allowed to import these goods themselves and then distribute them to various consumer co-operatives, guilds, wholesale outlets, and licensed retail stores. These had to be sold at the invoice cost plus 5 percent profit (Amuzegar 1993: 142-43).

Due to its ideological orientation, concerning foreign relations after the revolution (see chapter 5), Iran’s external trade relations underwent considerable changes. Britain and France’s share of trade with Iran declined considerably, however, only in the first years after the revolution. Turkey’s share rose tremendously in the 1980s. As can be seen in Appendix 2, in the second half of the 1980s, the newly industrialized countries such as Argentina, Brazil, South Korea, Thailand, and Yugoslavia increased their share of exports to Iran at the expense of Japan and the countries of the EU (Amuzegar 1993: 388; Central Bank of the Islamic Republic of Iran 2001). The US, which was the third biggest exporter to Iran in terms of goods and services before the revolution, since the establishment of the IRI has had no noteworthy exports to Iran (Amuzegar 1993: table 10.4, 388). This situation emerged when the hostage taking of US diplomats and staff at
the US embassy in Tehran took place in 1979. The US imposed a trade embargo on Iran banning all imports and exports, except for food and medicine.

Since the disintegration of the Soviet Union in 1991, Russia and Kazakhstan became important trading partners for Iran. Both Germany and Japan maintained their top position among the trading countries with Iran, but their exports to Iran fell immensely in the first and, also, the second decade of the IRI. The United Arab Emirates (UAE) became the second most important importer of non-oil products in the second half of the 1980, rising in just one year, from 1982 to 1983, from US$18.1 million to US$ 50.2 million (Appendix 1). One reason might be that many Iranians went to the UAE after the Islamic revolution to work with Iran from there, but as UAE-based companies. Trade with the UAE has also been a means to circumvent the economic sanctions imposed on Iran by the US (Martin 24 October 2006).

Being confronted with Western, in particular US, opposition Iran turned towards the Soviet Union, despite some political problems between the two countries (see 3.2.3 and chapter 5.3.2) during the first decade of the IRI. Playing one major power against the other has been Iran’s strategy since the 19th century when it played Russia against Britain. But when the Soviet Union disintegrated, these policy calculations became more difficult for Iran (see chapter 5) (Moshaver 2003: 290).

Important for Iran’s relations with other countries was the break out of the Iran-Iraq War in September 1980, which resulted in political and military support for Iraq from Western countries as well as the Soviet Union. The Western countries hoped that President Saddam Hussein would be able to save the world from the “fundamentalists in Iran.” During this period, Iran became more inward looking and distrustful of the outside world (Tarock 1999: 43).

The Iran-Iraq war, which started in 1980, on the one hand came as a relief to the Iranian government, as with the right propaganda it could be used to cover up the economic problems. On the other hand, it worsened even further Iran’s economic crisis.

### 3.2.3 The Impact of the Iran-Iraq War on the Economy

Although Iraq was the aggressor in the Iran-Iraq war (1980-1988), Iran did not get much regional and international support during the war, whilst Iraq had support from a great number of Arab and Western countries. France was a major arms supplier to Iraq during the war, as well as the US, which also developed a great military presence in the Persian Gulf area. Iran also alienated the Soviet Union with which it had had hostile relations since 1983 (see chapter 5.3.2), when leaders of the Iranian communist Tudeh party were arrested and Soviet leaders expelled from Iran. Iran supported the anti-Soviet rebels in Afghanistan and rejected the Soviet Union’s efforts to settle the war with Iraq on the basis of the status quo ante. To compensate for its isolation from the great powers (i.e. The US and the Soviet Union) during the war with Iraq, Iran entered

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64. Founded in 1941 the Tudeh party is the oldest Communist movement in Iran.
into relations with other countries, among which were Japan, West Germany, and Italy. Iran continued its diversified relations with Third World countries and Eastern Europe. The cease-fire with Iraq in 1988 and the withdrawal of the Soviets from Afghanistan improved relations with some countries, especially the Soviet Union (Keddie 1990: 7).

An immediate consequence of the start of the war in 1980 was an increase in military spending and arms imports, which reversed the decline in Iran’s military spending since the revolution. In the first years of the war the Iranian regime could rely on the arms it had inherited from the Shah. According to the US Arms Control and Disarmament Agency, as the war continued, annual average arms imports by Iran rose from US$1.1 billion in 1981-83 to US$2.3 billion in 1984-88. The highest estimates of Iran’s total defense burden during the war were as high as 20 percent of GDP (including both domestic and military expenditures, arms imports, and allocations for reconstruction). To compare, the US defense burden during the Second World War was about 40 percent of its GDP (Clawson 1988: 375). The total military expenditure for the war has been estimated at US$110 billion (Amirahmadi 1994: 69). On the Iranian side, the Iran-Iraq war resulted in more than 350,000 dead people (Entessar 1995: 155). In total 52 cities were damaged, of which 6 were totally destroyed, and 14 suffered 50 percent damage. 4,000 villages were damaged or partly destroyed. In total 130,000 totally damaged and 190,000 heavily damaged houses were counted (Amirahmadi 1991: 304).

The war had a devastating effect on the Iranian economy, a negative impact on domestic output and oil revenues and caused damage to infrastructure, industrial facilities, farmland, and population centers. Estimates show a US$90 billion in direct damages as the war costs for Iran (i.e. these estimates exclude indirect damages such as loss of production in oil and other sectors, neglect of infrastructure, and loss of further development) (Chubin 1994: 87). This is about the equivalent to Iran’s total oil export revenues from 1989 to 1994. Amirahmadi estimates the direct and indirect damages of the war until 1987 as high as US$ 592 billion (1991: 84).

The end of the bi-polar international political system and the disintegration of the Soviet Union in 1991 opened up new perspectives in terms of foreign economic relations for Iran. This period coincided with the election of Hashemi Rafsanjani as president in 1989 and the appointment of Ayatollah Khamenei as supreme leader.


In the mid-1980s, there gradually emerged a new faction among the Iranian political

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65. During the reign of Mohammad Reza Shah military expenditure rose very rapidly, as a percentage of gross national product (GNP), from an annual average of 8-9 percent in 1970-73 to 15 percent in 1974-78. A major factor in this was the oil crisis in 1973. Arms were mainly imported from the US and Britain. In the first year of the IRI military spending dropped sharply, particularly the purchase of sophisticated equipment, to US$ 1.5 billion in 1979 and US$420 million in 1980 (US Arms Control and Disarmament Agency, World Military Expenditures and Arms Transfers 1991-92).

66. According to other sources the Iranian arms imports during the Iran-Iraq War was US$ 2 billion annually, see Middle East Economic Digest (MEED), (17 April 1989), 27.
elite, the Pragmatist faction under the leadership of Rafsanjani. Its influence on the IRI’s policies increased with the death of Khomeini. When Khomeini was still alive he nourished the Radical Left faction by his political slogans of the “Export of the Revolution” and “Neither East Nor West” (to be discussed in chapter 5). After the death of Khomeini the influence of the Radical Left faction declined. Those members of the Radical Left faction, who remained, had little backing from the Iranian people. During the first decade of the IRI the Radical Left faction had been too greatly associated with contemptuousness, repression, bureaucracy and arbitrary decision. It had repressed both the political forces of the revolution who opposed Khomeini and his followers and the minorities in Iran. The promises it made to the peasants, the urban poor, and the working class, were also not kept.

The Pragmatist faction, in contrast, promoted socio-economic reforms. It opposed corrupt bureaucracy, as well as state intervention in the economy. It, also, made the rule of law a priority. Its slogans were peace, economic prosperity, employment, and, no less significant, “a kinder and gentler nation” (Behdad 1995: 116-117).

The end of the Iran-Iraq War in 1989 provided the framework for economic reform in Iran. The need for economic reforms was based both on economic exhaustion during the Iran-Iraq War as well as the economic problems the country had been dealing with since the early days of the revolution. When Rafsanjani became president in 1989 four issues became central to his socio-economic reform program:

(1) Address the financial constraints of the first ten years after the revolution with economic reform to meet the needs of a growing population;
(2) End the political and economic isolation of Iran and restore relations with the US;
(3) Address the growing demands of the Iranian population for greater political participation;
(4) Reform the political system of the IRI and redistribute power among the supreme leader, the president, the parliament, and the judiciary (Gheissari and Nasr 2004: 95).

Rafsanjani’s policies of socio-economic liberalization and foreign policy reorientation received mixed reactions from the different factions. While the Conservative faction, especially the bazaaris, welcomed economic liberalization, it opposed his liberal attitude in socio-cultural issues and his pragmatist approach to foreign policy. The Radical Left faction in contrast, opposed Rafsanjani’s economic policies and pragmatic foreign policy while supporting his socio-cultural views. Although reforms of the Iranian economy had been on the agenda since the mid-1980s, it was only from 1989, with Rafsanjani as president, that parts of the Iranian political elite were willing to look closely at the problems of the economy and the war damage in order to develop policies to improve the economy. Part of this economic reorientation was also a reorientation in the country’s foreign policy after the disintegration of the Soviet Union, including the establishment of a critical dialogue with the EU (chapters 6.3 and 7.2); active engage-
ment with neighboring states, Russia and the countries of CEA (chapter 5.4.2), as well as a cautious rapprochement with the Persian Gulf States, particularly Saudi Arabia (chapter 5.4.1).

The new economic policies introduced by Supreme Leader Khamenei and President Rafsanjani, received minimal support from the Radical Left faction, which until 1992 dominated the majles. Of the members of parliament, 40 percent were openly hostile to the economic reform strategy. But, as President Rafsanjani’s reforms had great popularity among the lower middle and modern (secular) middle classes, the majles had no other choice than to accept them.

As has been outlined in detail in chapter 2, the different political factions do not speak with one voice on economic, socio-cultural, and foreign policy issues. The picture of Iranian politics is complex, not only because of the different factions, but also the contradictions within each faction. This has led, on the one hand, to some opportunism as it gives room to individual members of the Iranian political elite to move from one faction to the other. On the other hand, however, it has given room to establish ad-hoc political groups whenever needed, who favor certain economic, socio-cultural, or foreign policies or are against them. In this environment the Rafsanjani government had two choices to put through its policies, either to construct a powerful coalition of factions or by creating a forceful counter-bloc to his opponents (Ehteshami July 1995: 10).

As has been outlined in chapter 2, in the early years of his presidency Rafsanjani aligned himself with the Conservative faction, while in the mid-1990s he gradually turned to a wing within the Radical Left faction, namely Mohammad Khatami and his supporters, who later were to establish the Reformist faction. During his presidency Rafsanjani set-up and carried out the First and Second Five Year Development Plans (the Second Plan was terminated under President Khatami in 2000). The last Shah, Mohammad Reza Shah, had also used these Five-Year Development Plans during his modernization policies in the 1960s and 1970s (see Amineh 1999: chapter 9).

3.3.1 Towards a Liberalization of the Economy?
The First Five-Year Development Plan (Appendix 3a), which is also known as Siyasatha-ye Ta’diil-e Iqtisadi (stability politics of the economy or structural adjustment program), implied a radical reform of economic policies of the Iranian government. The First Five-Year Development Plan had many goals, the most important of them, according to Amirahmadi (1990: 123-24), was: fostering economic growth. The weak economic performance during the Iran-Iraq war had resulted in a decline in per capita income and falling living standards. Economic growth was therefore a top priority of the First Five-Year Plan, as well as: controlling population growth; managing the budget deficit and inflation; adopting import substitution and export promotion policies; optimizing resource exploitation; and completion of unfinished projects. The First Development Plan coincided with the introduction of the IMF Economic Adjustment Program to Iran (1988-1993).
An important aspect of the Economic Adjustment Program was the privatization of large parts of the economy which were, and still are, under control of state or semi-public organizations, particularly the religious foundations, especially the Foundation of the Oppressed and the Disabled and the Martyrs’ Foundation.

The religious foundations are the main institutions that continue to be opposed to, and prevent, large-scale privatization policies. When the new privatization process started, some foundations agreed to sell parts of their assets to the private sector, worth 62.2 billion Rials (Amuzegar 1993: 100). During the fourth Majles (1992-1996) the most powerful individuals within the foundations put pressure on the Conservative faction to change the implementation of the privatization process by giving the state enterprises to the foundations. In 1994 the Majles passed a law, allowing the government to sell state enterprises to those people devoted to the war, the prisoners of war, and the relatives and members of those who were killed in the war (Ettela‘at 1995). As these people did not have the financial resources to buy these enterprises and to run them, the law accepted the religious foundations as their representatives. The Martyrs’ Foundation and the Foundation of the Oppressed and Disabled were the main religious foundations that started to buy state enterprises (Rakel 2006: 123). The result was that instead of creating competition, the liberalization reforms led to monopolization by the religious foundations.

The First Five-Year Development Plan was financed through state revenues from oil exports, foreign borrowings, and borrowings from the Central Bank and the domestic banking sector. The IRI was able to strengthen its economic ties with countries in Asia, Africa, and Latin America on a bilateral or multilateral basis (for example: the International Fund for Agricultural Development (IFAD), the Islamic Development Bank, and the Association of South East Asian Nations (ASEAN) group). Iran received World Bank credit for domestic development projects, grants and loans from the Islamic Development Bank, and applied for loans from the International Fund for Agricultural Development. From January 1989 it reached “agreements in principle,” or signed trade protocols, with countries such as Australia, Bahrain, Belgium, Canada, France, Germany, Great Britain, Italy, India, Japan, Libya, Malaysia, The Netherlands, New Zealand, Romania, South Korea, and Sweden for cooperation in the fields of:

“automobile assembly, construction materials, electric power generation, housing, iron and steel production, oil and mineral exploration, offshore drilling, gas and oil refining, petrochemicals, storage facilities, ship building, atomic research, and others” (Amuzegar 1993: 155-56).

Central Bank loans and commercial bank credit facilities financed the state budgetary deficits. This led to a dramatic increase in inflation averaging of 24 percent per year and reaching 50 percent in 1996. Foreign borrowings, prohibited by the Iranian
constitution, were only possible through massive short-term credit financing of imports by suppliers. The import of luxury goods created a foreign debt of between US$ 35 and US$ 45 billion, largely due to high import duties.

The Rafsanjani government increased the state’s regulation of prices and the market. The idea was to stop profiteering by shopkeepers, middlemen, and merchants at the expense of the consumers. Starting with the Iran-Iraq War, and continuing through the 1990s, the payment of consumer subsidies increased substantially. This, also, included essential goods such as wheat, sugar, vegetable oil, and rice. No such subsidies were paid to the producers. As the Iranian government was the only buyer of wheat and the Economic Council set the prices at the production costs, way below world market prices, farmers were not only discouraged from producing, but even penalized for it. Consequently, many farmers left the countryside and migrated to the periphery of the larger cities. There they searched for better jobs but ended up in shantytowns with only limited access to basic needs. The production of wheat was far below the country’s needs and much wheat had to be imported. Imports fluctuated between 6.5 and 8 million tons of wheat annually. During that period Iran became the second largest importer of wheat in the world behind Japan (Karbassian 2000: 637-38).

The Second Five-Year Development Plan (Appendix 3b) was scheduled to begin on 20 March 1994, the first day of the Iranian New Year 1373 (1994/95). However, the launching of the new plan lost its urgency. This was due to: the significant internal and external imbalances resulting from earlier miscalculations; excessive credit creation; foreign short-term borrowing; a fall in crude-oil prices; a growing volume of external payment debts; and arguments about the wisdom and efficiency of President Rafsanjani’s Structural Adjustment Program. Under the pretext of the need to evaluate the First Development Plan’s achievements, the majles postponed the starting date of the Second Development Plan to March 1995. Although, more realistic in calculations and less ambitious in its goals, the new plan was admittedly prepared with similar strategies to those of the First Development Plan and as a continuation of the same efforts (Amuzegar March 2001: 27, 29). It promised to accelerate the structural reforms envisaged in the First Development Plan and to continue macroeconomic adjustments already underway (Plan and Budget Organization August 1999: 11-16).

Both the First and the Second Development Plans did not achieve their goals. Still, the First Development Plan can be considered a watershed in the development of Iran’s economy, after the Iran-Iraq war. It contributed to dismantling the centrally administered economy and set the stage for a new agenda for economic adjustment and economic reform (Karshenas and Hakimian 2000: 44-45). Iran’s Second Development Plan (1995-2000) came to an end on 20 March 2000, leaving behind an economy with stagnating growth, high inflation, high unemployment, a weakened national currency, a widening income gap between rich and poor, and an uncertain future. In addition to falling short on most of its macroeconomic targets, a significant number of promised structural reforms were also not implemented but passed on to the Third Five-Year
Development Plan (2000-2005), that was initiated under the presidency of Khatami. What were the main obstacles to realizing the First and Second Development Plans? Khajehpour (2000: 583-586) summarizes them as follows:

(1) Absence of a competitive environment. Although the Iranian government in the early 1990s embarked on the privatization of a number of state owned enterprises, a great part of the economic structure is still dominated by the public and semi-public sector (such as the religious foundations), thus is in the hands of small interest groups;

(2) Lack of legal stability;

(3) Absence of institutions that represent the interests of the private sector. The only institution representing the private sector is the public Chamber of Commerce that is subordinate to the Ministry of Commerce;

(4) Distorted market structures, through the subsidy policies of the government, which derived from the ideas of the post-revolutionary government for: bringing social justice to the country; supporting limited groups that are closely connected to the political establishment; limiting private sector investment; and using discriminatory trade policies (Khajehpour 2000: 583-586).

The state remained the dominant actor in the economy (the religious foundations included). Prices were controlled, government bureaucracy grew, and privatization was limited. Whilst, in the beginning of the 1990s, some degree of economic prosperity could be noted, since 1993, the structural problems of the Iranian economy became apparent and the Iranian government was no longer able to argue that the reform policies would benefit everyone (Ehteshami 1995).

An important negative influence on state intervention has been the minimal interest shown by the private sector in investing in the country. The main reasons are high taxes on profits, non tax-charges, unfavorable labor laws for the employers, and great obstacles on starting manufacturing sites. Trade is more profitable than industry as it is easy to evade taxes in trade. The service sector constitutes about 50 percent of the GDP of the IRI, much more than a progressive economy would have (Karbassian 2000: 637-38).

3.3.2 Economic Liberalization and Social Response

The impact of the liberalization policy on large parts of the population provoked popular opposition to the government and intensified the political struggle among the political factions. The Iranian people had to experience the negative consequences of the economic policies, e.g. the reduction of state subsidies for essential goods such as food. They felt alienated from the political system.

The Iranian people had no legitimate organ to show their protests against the governmental economic policies. The only possibility for protest was on the street and in the workplace. Street protests and strikes in key industrial centers took place in 1992, and again in 1994, in many towns and cities all over Iran. Although the riots followed similar patterns and may also have had similar objectives, they were all based on local
events. The regime responded immediately and forcefully. In the various riots dozens of people were killed, hundreds were injured, and hundreds arrested of whom many were executed.

After the riots in the first half of the 1990s the main political factions drew different conclusions on how to react to these events. The Conservative faction demanded the integration of a greater amount of Islamic doctrine into society. Alarmed by the increasingly visible symbols of cultural liberalization, since the beginning of the 1990s, Supreme Leader Ayatollah Khamenei, in various statements, warned the Iranian government of “Westernization” of the economy. He asked the security forces to apply the principle of *amr al ma’ruf nahy az monke* (follow the correct and righteous path and avoid the forbidden) to come to an eradication of “corrupt Western culture and attitudes” (Haeri 24 July 1992: 13-14). Conservatives like Ayatollah Mohammad Yazdi (head of the judiciary 1989-1999) supported a greater use of force to confront the protestors.

In contrast to this, the *majles* and other state institutions recognized that the riots of 1992 had deeper social roots and urged that these social issues be put on the government’s agenda. Hojjatoleslam Mostafa Mohaqeqdadam, head of the country’s National Inspectorate Organization, commented that the real background to the riots was the “discontent” of the Iranian people with the government and the bureaucracy (*Kayhan* 9 July 1992):

“[In Mashahd] 100 hooded men, armed with sophisticated weapons designed for urban warfare, turned the demonstrators into a mob which attacked specially chosen targets. They controlled and directed the furious mob to destroy banks, attack buildings, set fire to buses, rob, and loot shops and commercial centers. They did their best to transform the justified anger of the poor, who are sick and tired of the government’s broken premises and endless bureaucracy, into horrifying revolt” (cited in Haeri 26 June 1992: 11-12).

The Radical Left faction was unable to use the popular unrest to strengthen its own position within the government. This had three reasons:

1) Its strict interpretation of Khomeini’s ideas on domestic and foreign policies, that were no longer supported by the mass of the people;

2) It could not function as an effective political group because its political stance had been weakened since the parliamentary elections in 1992;

3) It knew that a failure of Rafsanjani’s policies would be a danger to the entire political system. Additionally, if the reform policies were supported by the supreme leader the Radical Left faction could not go in opposition to them.

Despite the institutional weakening of the Radical Left faction, criticism of the lack of social justice, with regard to the economic policies of the executive branch of government, became very common. Also, the Friday Prayer was used as a platform for protest against government policies. For example, Ayatollah Ahmad Jannati, now head of the Council of the Guardian, said in October 1992
“the return of the capitalists to the country means the disappearance of the values of the Islamic Revolution” (cited in Waldmann 8 May 1992).

Jannati clearly expressed his concern that economic liberalization would entail the introduction of Western cultural values and consumption patterns. The Conservatives also viewed returning exiles as potential accelerators of Westernization in the IRI (Waldmann 8 May 1992). Under these circumstances in 1997 Khatami appeared on the scene.

3.4 Economic Impasse during Khatami’s Presidency 1997-2005
Khatami’s period as president differs from the former presidents. While the other presidents were always the favored candidates of the supreme leader, in the presidential elections of 1997 the people voted for a candidate that was not favored by the supreme leader. The candidacy of Khatami as president was seen by the younger and more progressive elements, among the Iranian political elite, as the last chance to reform the political system “from within.” The more secular elements of the politically relevant elite considered him to be the best person to start a gradual transition to democracy, by establishing the rule of law and promoting a civil society.

He was also expected to bring about the achievements of the Second Development Plan’s goals. The Second Development Plan was still active when Khatami was elected president (MEED 8 August 1997: 3). Khatami convinced the Iranian people that they “deserve a better deal” having suffered and made many sacrifices during the war with Iraq and the subsequent economic reconstruction, (IRNA 8 April 1999). President Khatami promised that he would take up these challenges through a policy of rapid development but also “social justice.” His economic policies included: a balanced budget; the privatization of public enterprises that were making no profits; the completion of projects before starting new ones; larger bank credit to the private sector; and adjustment of the exchange rate to the expected rate of economic growth. President Khatami declared the state of the economy the number one priority of his government (Jehl 5 February 1999: A6).

In an unusually open television statement President Khatami admitted that the Iranian economic structure was “sick” in production, distribution, and regulation. He criticized the great dependence of the economy on the oil sector, called for a reduction of the public sector and state monopolies, and complained about income disparities (See Iran Focus 1998). If we consider that his predecessor, Hashemi Rafsanjani, had, during his presidency of 1989-1997, called the Iranian economy dynamic and a model for the Middle East region (Kayhan-e Havai, 29 December 1993, 29 May 1994), then Khatami’s speech was very courageous and challenging. But President Khatami was

68. For the President’s initial economic policy statement see Iran Times, (Washington), (13 June 1997).
69. Khatami repeated his criticism of the economy again, a year and a half later, while visiting the
unable to realize his promises. He had to convince the Conservative faction in the majles and the bazaaris, as well as his own supporters, that neither Mir-Hussein Musavi’s (Prime minister in Iran until 1985) nor Rafsanjani’s economic policies had been able to lift Iran out of its economic crisis, and that therefore a different economic policy was necessary. That meant, Khatami needed a broad basis to effectively put through his reformist policies (Amuzegar 1999).

President Khatami presented his economic policy plan in August 1998, on which he further elaborated in November 1998 when presenting the Budget Bill 1378 (1999/2000) to the majles. Khatami’s plan was very diplomatic. It consisted of the views of both political factions, the Pragmatists and the Conservatives. On the one hand, like the Pragmatist faction, he supported the mobilization and attraction of foreign capital by the elimination of restrictions on private ownership. To satisfy the Conservatives, on the other hand, he pledged that his government “will do its best to maintain social justice and a more equitable distribution of income” (Hamshahri 30 November 1998; Behdad 2000: 135).

3.4.1 Further Attempts at Economic Liberalization

When the Third Five-Year Development Plan was introduced, in March 2000, it represented a significant change in economic policy making, addressing: the question of economic reform; the enlargement of the private sector; increases in domestic and foreign investment, as well as export; and the development of the non-oil sectors. The start of the Third Development Plan coincided with a sustained rise in oil prices.

Iran has gas reserves in 117 oil and gas fields either as independent fields or as gas layers in oil wells. About 50 percent of the natural gas fields have not yet been developed, meaning that Iran has the potential to produce even more natural gas. The South Pars gas field is the world’s largest, jointly shared between Iran and Qatar. Iran has nine refineries with an approximate capacity of 1.5 mbbl/d (million barrels per day). The oldest and largest of which being the Abadan Refinery with a nominal capacity of 420,000 bbl/d (Oil Ministry of Petroleum of Iran 2000: 30-32). Revenues from oil and gas export amount to 70 percent of the state’s general budget and about 80 percent of all foreign exchange earnings (Karbassian 2000: 629). However, economic dependence on oil revenues is not sustainable in the long run. It needs, even if the government can limit the impact of price fluctuation through the operation of an oil stabilization fund, a continuous upward trend in oil prices to continue economic growth. Thus, only by a structural economic reform could the IRI reach sustainable economic growth.

An important area of reform was the unification of the exchange rate system in March 2002. This gave a strong signal to international investors about the seriousness of Iran’s
The Iranian political elite

efforts for economic reform (Karshenas and Hakimian March 2005: 77). The main goals of the Third Development Plan (Appendix 3c) were largely the same as those of the Second Development Plan (Amuzegar 2005: 47-48). But even under Khatami’s presidency the goals set in the Third Development Plan could not be achieved. As Amuzegar states, the Third Development Plan had some greater achievements than the Second Development Plan, but still they were rather modest. The Third Development Plan:

“[…] has achieved some tactical successes while falling behind in strategic goals – mostly because the plan has been neither effectively formulated nor meticulously implemented.”

Among the main failures were:
(1) The inability to reorganize state administration and decrease the state bureaucracy. The ratio of annual government expenditure to GDP even rose from 24.5 percent in 1999 to 27.2 percent in 2004 (IMF 2004). In his last report as president in the majles, Khatami claimed that the total number of government employees was reduced by 2.9 percent during the Third Development Plan period (Hamshari 2 August 2005). But, as no concrete figures can be given on the number of employees in several state institutions (e.g. defense, security, and intelligence) no official figures can be given showing whether the total figure was actually reduced. According to a World Bank report, governance effectiveness in Iran declined between 2000 and 2004 from position 119 to 149 out of 208 countries (World Bank 2005a);
(2) The slow process of privatization. There are many reasons why privatization goes so slowly in Iran. The most important is the absence of an appropriate political-economic climate and the reluctance of state and semi-public organizations (especially the religious foundations) to give up their economic privileges (Amuzegar 2002);
(3) Another important failure of the Third Development Plan was the inability to reduce poverty in Iran. According to a recent report by the majles Research Bureau, about 50 percent of the rural population and 20 percent of the urban population fall below the relative poverty line\(^71\). A majles committee chairman states that 10-12 million of Iran’s 70 million people “live under the poverty line” (Radio Farda 19 January 2005). The former Minister of Welfare and Social Security explained that some 7.5 million Iranians fall below the absolute poverty line\(^72\), and 1.5 million people go to bed hungry (Kayhan (London) 1 June 2005). According to the director of the

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\(^{71}\) “The relative poverty line is defined to be a specific percentage (mean) of a community’s income or an income boundary under which a certain percentage of the individuals in that community may stand. However, selection of relative poverty line would always result in regarding a number of individuals in a community as poor” (Kashi et al Autumn 2002).

\(^{72}\) “Absolute poverty line is the amount of income essential to satisfy the minimum needs of the individuals (i.e. food, clothing, and housing) considering the cultural and socio-economic conditions of the community under study, or it consists of the lowest properties such as minimum level of income, education, housing, etc., which, if unsatisfied, cause the related individual to be regarded as poor” (Kashi et al Autumn 2002).
Anti-Poverty Program Reports, 2 percent of the rural and 4.5 percent of the urban population live under the absolute poverty line, and some 15 percent of the rural and 17 percent of the urban population suffers from relative poverty (Siasat-e Rooz (Tehran), 21 July 2005; Jomhouri Eslami 29 July 2005). In a World Bank report of 2005, it was shown that the wealthiest 10 percent of the population in Iran earned and spent almost 34 percent of national income, with the poorest 10 percent’s share being no more than 2 percent. Also, the wealthiest 20 percent earned and spent about 50 percent of national income, whilst for the poorest 20 percent this was only 5.8 percent (The World Bank 2005b). Based on these estimates the number of people living on US$2 a day was 7.3 percent or 5 million people. The number of people living on US$1 was 2 percent or 1.4 million of the population (Hamshari 13 June 2005). It is even argued that, during the Third Development Plan period, the number of poor people increased by 1.7 million people (Jomhouri Eslami 5 May 2005). By the end of the Third Development Plan period about 50 percent of Iran’s population did not have any social insurance (Iran Emrooz 30 November 2004);

(4) The government also failed in reducing unemployment. The overall goal was to bring down the official rate of about 15 percent unemployed in 2000 to 11.5 percent by March 2005. In an interview with IRNA in July 2006 the Deputy Minister for Labor and Social Affairs, Ebrahim Nazari-Jalali, stated that the government had the goal to reduce the unemployment rate to 8.4 percent by 2010 by creating 900,000 jobs annually and that it would spent 180 trillion rials (US$20.5 billion) for small businesses to create jobs (Samii 29 July 2006). In the past, the Iranian government had failed to meet similar goals. Of the 3.8 million new jobs that were planned to be created during the Third Development Plan period only 2.9 million new jobs materialized (Hamshari 5 May 2005) and the number of unemployed had actually increased (Jomhouri Eslami 21 May 2005; Iran Times 13, 20 and 27 May 2005; and Payvand’s Iran News 24 April 2005);

(5) The government also missed the goal to reduce its dependence on oil revenues to less than 12 billion dollars. Instead dependence on oil revenues even increased to more than 40 billion dollars in 2006 (Nili May 2006);

(6) Another important missed goal was the continuing wasteful use of natural resources (oil, gas, power, and water). Between 2000 and 2005 total energy consumption rose almost 10 percent annually (gasoline 12 percent), which is five times more than the world average. Iran has only one percent of the world population but consumes 9 percent of global energy production. This is due to subsidized energy prices and the lack of regulations for the construction of private homes, public buildings, and industrial and commercial plants (Hamshari 25 November 2004; Jomshouri Eslami 25 November 2004). It is estimated that some industrial factories in Iran use 35 percent more energy than the world average, refrigerators built in Iran consume more electricity than those imported; and cars built in Iran use 37 percent more gasoline than foreign cars.
The Third Development Plan did much better than the Second Development Plan but the results were rather limited. The size of the government did not shrink, as had been planned, and the state machinery became less disciplined, more oil dependent and more corrupt (Amuzegar 2005: 60-61). When Ahmadinejad took office in 2005 he, like his predecessors, promised to improve Iran’s economy and especially the economic situation of the poor people in Iran.

3.5 Poverty Alleviation - The Main Goal since Ahmadinejad’s Presidency in 2005
In his electoral campaign Mahmoud Ahmadinejad promised that he would raise the standard of living (especially for those Iranians living in poverty), create jobs, curb inflation, alleviate corruption etc. Many of the 17 million people who voted for him did so, on the grounds of these promises. Instead, since Ahmadinejad’s election as president, inflation has risen, unemployment has not declined, prices in the housing sector have risen, and the gap between rich and poor has not been narrowed. However, as president Ahmadinejad has only been in office for two and a half years, it remains to be seen what the long-term consequences of his economic policies will be.

Criticism of Ahmadinejad’s economic policies has come from all factions, the Reformists, Pragmatists, as well as the Conservative faction, and even his neo-Conservative allies. Both the Reformist and the Conservative faction of the Iranian political elite criticized Ahmadinejad’s presentation of the annual budget to parliament on 15 January 2006. The main points of criticism were that the budget overestimated the price of oil and relied almost exclusively on oil revenues. They also criticized the allocation of funds to religious institutions, instead of other cultural and educational ones (RFE/RL Iran Report 3 March 2006). Conservative members of parliament warned that the proposed budget could lead to a “Dutch disease” and raise the inflation up to 33.5 percent (Shargh 2 March 2006).

One of Ahmadinejad’s greatest critics is former President Rafsanjani. He declared that he would even use his position as head of the Expediency Council to influence economic policies (Tait 7 March 2007). In 2005 Supreme Leader Khamenei granted the Expediency Council additional oversight responsibilities, based on which the Expediency Council can overturn decisions of the Council of the Guardian, if they are challenged by parliament (Ritter 3 November 2006). Rafsanjani consolidated his position in December 2006 when he was chosen vice president of the Assembly of Experts (in early September 2007 he was elected head of the Assembly of Experts) and reinstated as the head of the Expediency Council. On 5 March 2007 he declared that the government had had enough time to implement its promises. Thus, the Expediency Council would now examine government decisions and expenditure to make sure that they were in conformity with the goals of the Fourth Five-Year Development Plan, the 20 year forecast, and Article 44 of the constitution envisaging large-scale privatization policies (Sepehri 13 March 2007).

“Now the trial period is over and the supervising role of the Expediency Council should be enacted more seriously;”
Mr. Rafsanjani further said:

“Under the 20-year outlook plan the country’s reliance on oil should be reduced by more than 10 percent each year but during the last two years this process has been reversed. Next year’s budget depends on oil to an even greater extent than those of the last two years [...] People should hear about such issues from me as the person responsible for establishing these policies” (cited in Tait 7 March 2007).

The expansion of the Expediency Council’s powers caused some upheaval among members of the Iranian political elite, fearing that it would undermine the independence of the executive and legislative branches of the political system. What gained less attention, but is equally important, is that granting the Expediency Council new rights also meant the Expediency Council now has more say in the Fourth Five-Year Development Plan (Samii and Aman 26 October 2005).

The Fourth Five-Year Development Plan is a continuation of the Third Development Plan putting special emphasis on:

“a more open economy based on competitiveness; privatization and a smaller role for the government in the economy; more autonomy for the central bank in monetary policy design and implementation; greater independence for the National Iranian Oil Company (based on a royalty scheme); Implementation of a clear legal framework for foreign investment in Iran; achievement of an annual growth rate of 8 percent, with 2.5 percentage points from growth in total factor productivity” (Kornijani 2006).

No effective steps to alleviate poverty, to decrease the unemployment rate, and to reduce state dependence on oil revenues etc. were taken during the first two years of Ahmadinejad’s presidency.

At the end of June 2007 President Ahmadinejad became even more unpopular with Iranians when the government imposed gasoline rationing to 100 liters (26.39 gallons) per driver. The price of gasoline in Iran is subsidized at a cost of about US$0.42 per gallon (Cohen 5 July 2007).

3.6 Summary

The first ten years after the Iranian Islamic revolution, when Khomeini was the supreme leader, were characterized by the following economic goals: state intervention, “self-sufficiency,” and “inward-oriented growth.” Enterprises that had been owned by the Shah or people close to him were deprivatized and put under the control of religious foundations. The same happened with arable land. All private banks were put under state control and joined together in six commercial and three specialized banks. All joint ventures in the oil sector were abolished and their companies handed over to the NIOC, which is part of the Iranian Ministry of Oil.
Because of the IRI’s ideological orientation, international trade relations changed considerably. Most significantly, the US, the third biggest exporter to Iran in terms of goods and services before the revolution, has had no noteworthy exports to Iran since then. Germany and Japan remained important trading partners for Iran, as did Britain and France (after some years of limited trade). The UAE and Turkey developed to become major trading partners. Since the disintegration of the Soviet Union in 1991, Russia and Kazakhstan have become trading partners.

The death of Ayatollah Khomeini in 1989, the end of the Iran-Iraq War and the rise of Hashemi Rafsanjani as president created the framework for a shift in economic policies away from state intervention into the economy and self-sufficiency, towards privatization and market liberalization. Both the First and Second Five-Year Development Plans were carried out during Rafsanjani’s presidency. Although it can be said that the First Development Plan laid the basis for dismantling the centrally administered economy, economic adjustment, and economic reform, both the First and the Second Development Plans did not achieve their goals.

When the Second Development Plan was terminated, the economy was confronted with stagnating growth, high inflation, high unemployment, a weakened national currency, and a widening income gap between rich and poor. The economic policies, and their negative consequences for large parts of the Iranian population, led to street protests and strikes in key industrial centers. The protests were heavily suppressed with dozens of people killed, hundreds injured, hundreds arrested some of whom executed.

After the failed economic reform program during Rafsanjani’s Presidency, many Iranians laid their hope in Mohammad Khatami, who was elected President in 1997. President Khatami very openly criticized the Iranian economy, its dependence on the oil sector, the large public sector and state monopolies, and the increasing gap between rich and poor in Iran. All of which he promised to change. Khatami was unable to live up to his promises. He needed a broad basis among the political elite, to put through his economic policies, of which he could not be assured because of the very different views on the economy of the various political factions. His economic plan considered the views of both the Pragmatist and the Conservative factions. Like the Pragmatists, he supported further privatization to attract FDI, but he also did not want the traditional forces of the Conservative faction, who objected to privatization, to be against him. Although the Third Development Plan did much better than the Second Development Plan, its success was still rather limited. The public sector remained large, and the state bureaucracy became more oil dependent and corrupt.

During his electoral campaign Mahmoud Ahmadinejad promised that he would alleviate corruption and narrow the income gap between rich and poor. Many people voted for him on the grounds of these promises. Having only been in office for two and a half years, President Ahmadinejad has not been able to achieve his goals. Even worse, he is heavily criticized by all political factions for his economic policies, even his neo-Conservative allies. One of President Ahmadinejad’s greatest critics is his rival during the
presidential elections of 2005, Hashemi Rafsanjani. In 2005 Supreme Leader Khamenei expanded the power of the Expediency Council (of which Hashemi Rafsanjani is the head) over the economy and, therewith, the Fourth Five-Year Development Plan.

The Iranian economy requires major structural reforms, including the privatization of the religious foundations. Without a privatization of the foundations and the application of the rule of law, it is very unlikely that Iran can stimulate private investments, which it desperately needs. Other obstacles to economic reform have been Iran’s difficult relations with the US and more recently the nuclear issue. Without a secure political environment there will be no investment resulting in major effects on Iran’s production capacity, living standards, and ultimately the legitimacy of the IRI. The Iranians no longer trust the power of the Islamic ideology, as Khomeini’s mixture of religion and politics was not able to bring the promised rewards of prosperity and social justice to Iran. The ailing economy has put the legitimacy of the Iranian government further into question. The decline of the Islamic ideology, combined with the failure of economic reform, confronts the IRI with its greatest challenge to its legitimacy since the revolution. Both the public and the press openly question the role of Islam and the concept of the *velayat-e faqih*, as will be discussed in the following chapter.
Chapter 4
Factional Rivalries and Socio-cultural Developments

4.1 Introduction
When Ayatollah Khomeini had become supreme leader after the Islamic revolution, all social areas such as the school system, universities, and public law were changed according to the Islamic ideology he had developed. After the death of Ayatollah Khomeini in 1989, and when Hashemi Rafsanjani became President, a discourse emerged among clerical and (religious) lay intelligentsia on the role of Islam and the role of the clergy in politics. Also, the women’s movement in Iran and the critical press has had a decisive influence on the political discourse in Iran. Large parts of the population urged socio-cultural reforms, which intensified further with the election of Mohammad Khatami as president in 1997 and again since Ahmadinejad became president in 2005. This development is what Adib-Moghaddam (2006: 668-670) calls the “pluralistic momentum” in Iran and what I call “pluralism from below.” It is the driving force of the reformist movement in Iran. It cannot be controlled by a political faction. It has no leader, no institution, and no center. It goes beyond the state and manifests itself in various discourses among intellectuals and the public.

Among the Iranian political elite three main positions on socio-cultural issues can be distinguished:

(1) The first position is mainly represented by the Conservative faction, aiming at the preservation of Islamic culture and lifestyle. The Conservatives fear that Western influences could lead to cultural and moral corruption of the Iranians, in particular of the youth, resulting in a return to the pre-revolutionary culture of the Iranian society under Mohammad Reza Shah, whom they accused of having been corrupted by the West and, above all, by the US. To prevent the influence of Western culture, according to this faction, Iranians must seek refuge in the Islamicity of the political regime of the IRI. This faction supports the veiling of women and advocates freedom of the press only to the extent that it does not undermine the Islamic principles of the IRI. It considers the concept of civil society as contrary to the ideals of an Islamic state and its society. Its supporters come mainly from the traditional middle class and the bazaar economic sector;

(2) The second group is mainly represented by the Reformist faction, with much more moderate views, concerning socio-cultural issues, than the Conservative faction, putting tolerance, moderation, and diversity of culture at the centre of its socio-cultural outlook. The Reformists object to the policies for segregating men and women, promoted by the Conservative faction. This faction believes in governmental support of intellectual and artistic freedom and promotes freedom
of action and thought for university students. It objects to censorship in arts and media. Civil society for this group means “pluralism,” “tolerance,” and “democracy.” This entails among other things the protection of the relative autonomy and freedom of citizens, and the right to organize them. The middle class and lower middle class mainly support this faction.

(3) The third position is represented by the Pragmatist faction. The Pragmatist faction is mainly supported by techno-bureaucrats: modern professional associations, employer organizations, as well as the modern business-oriented urban-middle class and industrial groups. Their views on the socio-cultural sphere are similar to those of the Reformists. The Pragmatist faction objects to the segregation of men and women, and instead proclaims partnership of the sexes. Above this, it defends the freedom of the press, with the argument that censorship is un-Islamic. In contrast to parts of the Reformists, however, the Pragmatists aim to make the idea of civil society compatible with the existing political order.

Thus, there are great differences in the socio-cultural outlook of the different political factions and consequently in the policies they pursue.

The post-revolutionary clerical and (religious) lay intelligentsia such as Abdolkarim Soroush, Mohammad Mojtahed Shabestari, Mohsen Kadivar, Abbas Abdi, Akbar Ganji, and Saeed Hajjarian, who actually prepared the ground for the Reformist movement to flourish, go even further than the Reformist faction. They have a fundamental critique on the veylayat-e faqih system, the basic principle of the IRI, and advocate – from different perspectives – a secularization of the political system in Iran.

This chapter analyzes the various positions of the political factions of the Iranian political elite on socio-cultural issues and the impact of the rivalry for power between the different political factions on socio-cultural developments in Iran between 1979 and today. It focuses on the role and position of women in the IRI, the situation of the public media, and the intellectual debates on the relation between state and religion, the type of political system, the role of the clergy in politics, and their view on the veylayat-e faqih system.

4.2 Socio-Cultural Developments during Khomeini’s Leadership (1979-1989)

In 1979 the regime of Mohammad Reza Shah (as has been discussed in chapter 2) was overthrown by revolutionaries with various backgrounds and interests. As soon as Ayatollah Khomeini became head of the state, he gradually eliminated the secular and liberal Islamic social forces that had been part of the revolutionary movement. His criticism of the Shah regime had been less concerned with the repressive state apparatus than with the Shah’s non-Islamic practices.

In the 1960s and 1970s, Mohammad Reza Shah had tried to give up the Iranian cultural and religious roots for progress. His definition of progress was the introduction and imitation of Western culture, standards, and behavior, as he saw his own tradition as backward and considered especially the religious values an obstacle to rapid modernization. This policy had been initiated already under his father Reza Shah (1925-1941),
who had forbidden religious symbols such as the veil and traditional clothes for men, which he considered a sign of underdevelopment of his country (Chehabi 1993). During Mohammad Reza Shah’s modernization program Ayatollah Khomeini had criticized, especially, his land reform program, his pro-American foreign policy, and his intention to introduce the voting right for women (women received the right to vote in 1963).

4.2.1 Women
The Islamization policies after the Islamic revolution started with a systematic and heavy attack on women’s rights, when in even less than a month after the revolution the shari’a became the main source of law. Central to this policy was the reversal of all policies of gender equality, introduced earlier by the Shah. For example, the Family Protection Law of 1967 introduced under Mohammad Reza Shah to undermine a man’s unilateral right to divorce, was abrogated. Instead new laws were initiated, allowing polygamy for men, a minimum age of 9 for female brides, father or guardian’s control of the first marriage, temporary marriage, custody to the father or his family, and free divorce only for men. Veiling became the ultimate symbol of power of the regime and was mandatory imposed. All women working in the judicial profession were systematically dismissed. Many women in professional and governmental positions were set free or excluded from employment in these jobs. In the first ten years after the Islamic revolution the IRI effectively negated for women every single right that was struggled for under the Pahlavi regime. In fact, women’s sexuality, marital and reproductive rights, employment, education, citizenship, mobility, and clothing, all became regulated by the Iranian state and its religious supervisory bodies (Mohyeddin 2005: 31; Najmabadi 1994).

Interestingly enough, despite the restrictive policies pursued by Ayatollah Khomeini and his followers concerning gender and family issues, there was also another side of this regime, which was barely noted by its critics in the beginning. This was the necessity of women’s mobilization in the public sphere, girls’ education – once single-sex education was introduced –, and women’s activities during the Iran-Iraq War. After consolidating its power in 1979, the regime promoted women’s work in limited spheres, such as in the religious area, the social welfare area, the government area, and the women’s movement. Women increasingly entered those spheres open to them, like small businesses, teaching, medicine, and the arts (Esfandiari 1997). Many female lawyers did not accept their dismissal and continued to work under the name of a male family member. Others started to work as legal advisors to companies. The firing of female lawyers soon resulted in such a shortage of lawyers trained in Islamic law, that the government had to revise the law to an extent that women were allowed to work as advisors within the judiciary (Keddie 2000: 417).

Islamic women also tried to find their niches for activities in a number of areas (Paidar 1995: 307-309, 311):

(1) The religious area; the Islamic regime considered the education of female religious leaders as an important feature of the IRI. Due to the Islamization of the
Iranian educational system and the admission of women to theological schools, a rising number of female preachers and mojtaheds emerged. Women, however, had only a limited status as mojtaheds. They were not allowed to issue decrees, and, if they did, they were not binding;

(2) The social welfare area; women became active in state run welfare agencies, charities, and religious foundations. Sometimes they even acted as directors of these institutions. These women often had a clerical background and had connections to the clerics in the inner circle of the political elite;

(3) The government area; in the government women activities were more limited than in the religious and social welfare area. Out of 270 elected majles members in 1980, only 3 were women (Monireh Gorji, Azam Taleqani, and Goharolsharieh Dastgheib), having been supported by Islamic pro-government or Islamic oppositional political parties. In the first ten years of the IRI only 6 women were elected to the majles. Also, these women had a clerical background;

(4) The women’s movement; many Islamic women did not agree to obligatory veiling as imposed by the Khomeini regime. They had their own ideas of what the position of women in the IRI was. Women set up the Society of the Islamic Revolution and other women’s organizations. These women constituted the first representatives of an Islamic feminist movement in the IRI.

Dissatisfied Islamic and secular women started to campaign through the press and the parliament for their rights, leading to new discussions about the position of women in the Iranian society. These women were able to build on the extension of women’s rights, education, and economic roles developed earlier in the Mohammad Reza Shah period (Keddie 2000: 412), as well as on their active participation in demonstrations during the revolutionary period. The women’s movement gained the support of both secular and Islamic women, which could be noted, e.g. in the readership of the journal Zan-e Ruz. This journal as well as Payam-e Hajar, from the beginning, played an important role in defending the rights of women in the IRI, and voicing women’s complaints about inflation, food shortage, housing crisis, discrimination at work, children’s health and schooling, violent husbands, or the new family laws based on new interpretations of Islam (Nakanishi 1998: 62; Paidar 1995: 311). The women’s movement even had supporters among state officials, administrators, and clerics, who criticized the non-existence of a true Islamic policy on women. The women engaged also in the international arena, such as the United Nations’ programs on women. As Paidar (1995: 311-312) notes, this showed that to pursue its goals, the Iranian women’s movement easily moved between both Islamic and secular environments.

73. Important websites of women’s organizations and discussion forums in Iran are among others: The Iranian women’s Study Foundation (http://www.iwsf.org/); Iranian Feminist Tribune (http://iftribune.com/); Focus of Iranian Women (http://www.irwomen.com/index.php); Islamic Republic of Iran Center for Affairs of Women’s Participation (http://www.women.org.ir/).
The situation of women since the revolution has become very complex. Beside great limitations to the freedom of women, the situation of girls’ education has improved compared to the Shah period, especially for lower-class women in the poor urban and rural areas. As can be seen in table 4.1 the literacy rate among women in 1991 was 55.0 percent, compared to 5.4 percent in 1956.

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About 43.6 percent of rural women were literate in 1991, compared to 63.8 per cent of urban women. In 1956 only 0.7 percent of rural women and 14.3 per cent of urban women were literate (table 4.2).

The law that granted child custody to the father, or his family, came under attack with the increasing number of war widows from the Iran-Iraq war. In 1985, a bill was passed against objections of the Conservative faction, granting custody to minor children to their widow mothers, even if these women remarried. It even provided government funds for the education of these children through the religious foundations. Another dispute concerned the divorce rights of men, leading to a rising divorce rate in the 1980s. In 1989, a bill was passed in parliament according to which (as under the former Family Protection Law) a divorce could only be registered with court permission. Studies on this issue show that despite this bill, male applications for divorce were never denied (Mir-Hosseini 1993).

Besides restrictions on women’s rights in the first ten years after the Islamic revolution, also the media came under attack by the Islamic regime.
4.2.2. The Press

After the Islamic revolution, there was great controversy among the members of the political elite regarding civil rights such as freedom of speech, assembly, and association. Some clerics, including Ayatollah Meshkini, who can be counted to the Conservative faction, argued that Islam provided these basic freedoms. These clerics were concerned that laws granting these rights might be used to undermine Islam, create disorder, and to spread undesirable doctrines. Meshkini argued that no one:

“should go to some village and speak against Islam. This, Islam does not permit” (cited in Bakhash 1987: 87).

Several members of the political elite were uncertain whether or not the uneducated masses of the people could resist rival religions and ideologies. For example, Grand Ayatollah Hossein Ali Montazeri, a pivotal figure of the Islamic revolution but now one of Iran’s most famous dissident clerics, demanded freedom of association to be denied to Baha’is; other Conservatives wanted the same right to be denied to communists. Ja’far Sobhani (senior member of the Council of Mojtaheds in the Seminary of Qom and Director of the Imam Sadiq Institute in Qom) considered freedom of the press to be desirable, while at the same time arguing:

“should we permit a book that denies Islam and the hatamiyyat [the finality of Mohammed’s prophetic mission]. On the assumption that people are free would it be wise to let them read it?” (cited in Bakhash 1987: 87).

Some members, such as Ayatollah Jalal ad-Din Taheri (Isfahan’s former Friday Prayer leader) even argued against the banning of torture:

“Tomorrow they will form a gang and, based on the constitutional ban on torture, they will commit every kind of crime. Take this article out of the constitution” (cited in Bakhash 1987: 87).

Banisadr, the IRI’s first president, warned the delegates to reconsider their positions:

“We are drafting these articles in a manner that, step-by-step we introduce a kind of absolutism in the constitution”

he said.

75. The Imam Sadiq Institute was established in 1979. Its director is Ayatollah Ja’far Sobhani. The institute carries out research on the history of theology and theology in the context of today to promote the discourse among Muslims on issues of Islam and its principles.
“Tomorrow, a military man might come and use these articles against you” (cited in Bakhash 1987: 87).

Banisadr’s warnings, however, did not make a great impression. The final draft of the constitution secured basic freedoms, but only to the extent permitted by law and by Islam.

By mid-1979 Iran had about 260 newspapers, almost twice as many as before the revolution but less than during the Mosaddeq government in 1952, when the country had 300 newspapers of which 25 were dailies (Ayandeh 1979; Molana 1963: 570). The small number of newspapers, shortly before and after the revolution, is even more stunning considering the fact that the population had doubled during the same period to 35 million, of which 50 percent lived in the cities, 70 percent more than in the beginning of the 1950s (Shahidi 2006: 1).

Many of the new newspapers in the early years of the IRI were published by groups criticizing the new regime of the IRI, which included the Islamic Mujahedin-e Khalq’s Mujahed (The Crusader), and the Marxist-Leninist Fedayan-e Khalq’s Kar (Labor). The political elite spoke to the masses mainly through radio and television, but also through mosques and a limited number of newspapers. Important newspapers were Jomhuri-ye Eslami (Islamic Republic), organ of the IRP, and with a license obtained by the future president (1981-1989) and Supreme Leader Khamenei, and the Enqelab-e Eslami (Islamic Revolution), founded by Abolhassan Banisadr. In the first two months after the revolution the new regime had already started to close down a large number of independent and critical newspapers and took over the country’s oldest newspapers Ettela’at and Kayhan. Even before the new constitution was introduced a press law was passed in August 1979. It demanded that within three months all newspapers needed to have a license, resulting in the closing down of many newspapers.

Due to the rivalries among the different political factions of the Iranian political elite and the Iran-Iraq War, the restrictions on the press were further tightened. Journalists were arrested or executed; others chose another job or fled the country. Also, owners and staff of publishing houses and owners of bookstores were arrested (Shahidi 2006: 101; Middle East Watch 1993: 33).

In January 1985, a more comprehensive press law was approved by the majles, providing guidelines for newspapers and magazines. While books and films needed permission prior to their release, newspapers and magazines could only obtain this permission once they had already been published. Two copies of every issue published had to be submitted to the Ministry of Culture and Islamic Guidance. Non-compliance with the strict limits on what might be discussed in the newspapers could lead to mob attacks, suspension, closure of publishing facilities, or imprisonment. Because of the strong restrictions many publishers carried out a self-censorship in fear of the harsh persecutions. The government often refused to renew permits, which were needed to print publications. It also restricted the starting of newspapers to only those people which the
government considered to be “moral fit.” People who had been close to the Shah or had supported his regime were not allowed to publish (Middle East Watch 1993: 34-35).

The tremendous restrictions on women’s rights and censorship of the press became possible not least because of the institutionalization of Khomeini’s ideas of an Islamic state, the hokumat-e Islami (Islamic Government), after the Revolution in 1979.

4.2.3 Intellectual Debate
The two main intellectuals of the Islamic revolution are Ayatollah Ruhollah Khomeini (1900-1989) and Ali Shari’ati (1933-1977). Ayatollah Khomeini radically criticized the Iranian monarchy, the constitutional revolution, and the post-constitutional clergy. He revolutionized the traditional Shi’ite dogma on worldly political power by his new idea on the velayat-e faqih system. Ali Shari’ati has to be considered as probably the most important intellectual of the Iranian Islamic revolution. He made an important contribution to the development of the Islamic revolutionary ideology and can be considered as one of the main ideologues of a large political trend in modern Iran, as well as other Islamic societies (Amineh 7 May 1999: 17, 23; Keddie 1981: 215).

4.2.3.1 Ali Shari’ati
Shari’ati’s mother came from a small landowning family. His father’s side was a clerical family (Abrahamian 1989: 105). Shari’ati was very much influenced by Third World ideologues and revolutionary thinkers and activists such as Frantz Fanon and Aimé Césaire. He was also influenced by Jean Paul Sartre, Jean Cocteau, Albert Camus, Alexis Carrel, Max Planck, Albert Einstein, Tynbee, and Emil Durkheim (Amineh 1999: 490); as well as the German philosophers Georg Wilhelm Friedrich Hegel, Karl Marx, Edmund Husserl, Karl Theodor Jaspers, Martin Heidegger, and Herbert Marcuse (Boroujerdi 1996: 106).

Shari’ati developed his revolutionary theory in the beginning of the 1970s when the activities of Iranian guerrilla organizations (the Mujahedin-e Khalq Organization or People’s Mujahedin Organization of Iran [PMOI] and the People’s Fedayan-e Khalq Guerilla Organization) and the repressive state apparatus reached their height (Abrahamian 1989: 108-109).

Like the Third World thinkers Ali Shari’ati gave preference to revolutionary progress and development rather than a democratic state system. He argued that in a democracy the masses, which he considered conservative and, therewith, anti-development, would only elect those leaders who preserved their interests and traditions and, therewith, posed an obstacle to development and change (Shari’ati 1361/1982: 219-221). Ali Shari’ati was in favor of a political system of “directed democracy” in which the government is formed by an enlightened elite, with a progressive and revolutionary political agenda. This leadership should guide the masses from stagnant traditionalism to a progressive society (Shari’ati 1347/1968: 617-619). To fulfill its political goals successfully, the leadership has to be in power for a long period of time. Shari’ati’s models for
his propagated path of development were Sukarno in Indonesia and Josip Broz Tito in Yugoslavia (Shari’ati 1361/1982: 232-233).

Ali Shari’ati was influenced by Marxism and neo-Marxism, especially by Georges Gurvitch. Gurvitch considered religion as an important feature of popular culture, which at its extreme could function as an ideological tool of the suppressed to fight their oppressors. Ali Shari’ati also criticized Marxism, in general, and communist parties, in particular. For him Karl Marx was a militant atheist who looked at the world only from an economic point of view and neglected the role of religion. Equally, he accused communist parties of not considering that in the Third World, religion, like nationalism, was a potential progressive force to fight imperialism as well as national capitalism (Abrahamian 1989: 114-115). Ali Shari’ati considered Islam and especially Shi’ism, an important feature of human history. According to Shari’ati the role of the Prophet was to establish an ummah that would be in a “permanent” revolution (engelab-e daemi), striving for a classless society and public ownership of the means of production (Abrahamian 1989: 112).

The Twelfth Imam was the necessary long-term leadership during post-revolutionary reconstruction. According to Ali Shari’ati during the phase of the occultation of the Twelfth Imam, the ummah should elect its leader who rules as one of the deputies of the Hidden Imam. The leader is accountable both to the imam and the people, but he guides his community based only on the ideology of the imam and not on the ideas and needs of his community. The leader should not be just any person, but a learned person (shakhsiyat-e ílmi) (Shari’ati 1350/1971: 265, 267, 268).

During the occultation of the Twelfth Imam the ummah should seek guidance from the ulama (clergy), as well as the faqih, chosen by the people as a source of emulation (marja-e taqlid). This is Shari’ati’s Alavi Shi’ite model. Shari’ati distinguished between Alavi Shi’ism and Safavi Shi’ism. Alavi Shi’ism is a dynamic libertarian religion against repression, exploitation, and despotism, in which the people have the right to choose their leaders. The Safavi Shi’ism to the contrary is conservative. Here, the clergy deprive the people of their right to elect a leader, arguing that the people are incapable of choosing the most learned among the clergy and, therefore, have to rely on the advice of their religious leaders (Shari’ati 1350/1971; Akhavi 1980: 149-150; Keddie 1981: 217-218). With his theory, Shari’ati probably unconsciously laid the grounds for the principle of the velayat-e faqih system. But, in contrast to Khomeini’s understanding of the principle of the velayat-e faqih, Shari’ati put great emphasis on the people’s right to elect their leaders.

4.2.3.2 Ayatollah Ruhollah Khomeini

Ayatollah Khomeini developed his theory of the hokumat-e islami and the main guidelines of the principle of the velayat-e faqih (Khomeini 1354/1976) – the fundamental political principle of the IRI – in 1970 and 1971. Like Ali Shari’ati, he was convinced that in the absence of the Hidden Imam a political leader should be chosen to form a
The Iranian political elite legitimate government. In contrast to Ali Shari’ati, however, he saw only a limited role for the people in his theory of government. Ayatollah Khomeini believed that the political leader should not be chosen by the people but by the clerical elite. According to his theory, since an Islamic government is based on divine law, the political leader is subordinate to the clerical elite. Therefore, political power should be directly assumed by a *faqih*. To assume political leadership the leader has to have an extensive knowledge of Islamic law and justice. As the people are not able to recognize the right leader, they should leave the choice to the clergy (Khomeini 1981). Ayatollah Khomeini set the Islamic government equal to democracy, but shortly after the revolution he rejected the inclusion of the term democratic into the title “Islamic Republic of Iran,” as had been suggested by Mehdi Bazargan (*Ettela’at* 11 March 1979: 8). For Ayatollah Khomeini Islam was in itself democratic and, therefore, would make the inclusion of the term into the title obsolete. Khomeini’s conceptualization of the *hokumat-e islami* laid the basis for the political power structure of the IRI.

The restriction of women’s rights, press censorship, the imposition of the dress code accompanied by an economic crisis, and restricted individual freedom soon led to great discontent with the regime—especially among the younger population, but also among clerical and (religious) lay intellectuals who earlier had supported the revolution. This discontent came to the fore, after the death of Ayatollah Khomeini in 1989, and when Hashemi Rafsanjani was elected president in the same year.

### 4.3 Socio-Cultural Developments during Rafsanjani’s Presidency 1989-1997

When Hashemi Rafsanjani became president, members of his cabinet founded the Executives of Construction Party (*Hezb-e Kargozaran-e Sazandegi*), which is a reform-oriented party and one of Hashemi Rafsanjani’s most important supporters. The Executives of Construction Party is also a member of the 2nd Khordad movement that later, in 1997, supported Mohammad Khatami in his electoral campaign to become president. This is interesting as Hashemi Rafsanjani is also a founding member of the conservative Combatant Clergy Association (*Jame’e-ye Rowhaniyat-e Mobarez*), which was established by several clergy, in 1977, to overthrow the Shah regime.

The calls for reform that emerged in 1989, after ten years of political hardship and economic crisis, were driven by three inevitable changes that had taken place after the death of Khomeini:

1. The long years of war against Iraq, economic crisis, and socio-cultural restrictions made many Iranians turn away from the ideology of the Islamic revolution. Instead, they became primarily preoccupied with economic difficulties. For example, while the population had almost doubled between 1976 and 2000 from 34 million to 64 million, the non-oil GDP per capita in 2000 was lower than in 1976, namely 4,342,000 Rials

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76. See also Hashemi Rafsanjani’s website [http://www.hashemirafsanjani.ir/](http://www.hashemirafsanjani.ir/)
compared to 4,773.000 Rials in 1976. The national income per capita was in 2000 only half of the national income in 1976 (appendix 4);

(2) The large generation of Iranians born in the 1970s and 1980s that have recently entered the political arena were generally disillusioned with the Islamic regime and strongly demanded reform. Young Iranians were frustrated with the poor economic prospects and socio-cultural restrictions. At the same time, however, since the revolution the youth had benefited from better education than ever before. Iran’s youth had also benefited from a rapid expansion of educational opportunities. While in 1976 the number of literate men and women in Iran amounted to 47.1 percent, in 1991 this was already 66.3 percent (see table 4.1). Since the revolution Iran had been quite successful in combating analphabetism. In 2004 it even had a higher literacy rate than Egypt or Iraq among 15 year olds and older, but a lower rate than Saudi Arabia and Turkey (table 4.3). At the same time, the country is confronted with the emigration of intellectuals and highly qualified people. Every year 150,000-180,000 people try to emigrate from Iran. According to the International Monetary Fund (IMF) out of 61 developing countries, Iran stands at the top of the emigration of intellectuals (Iran News 31 December 2001). With a voting right at the age of 15 (since January 2007 the voting right has risen to 18)77 and more than half of the electorate under 30, Iran’s youth constitutes a large, and growing, base of support for reforms. This younger generation has increased in importance, while the older generation of hardened revolutionaries, who were active in the 1960s and early 1970s have been fading, with many key figures retiring from politics, becoming less active, or passing away;

(3) The process of globalization and its influences both on people and states is crucial to understanding the demand of Iranians for reforms. The global system has become more complex and interdependent with the effect that changes in one part of the world can potentially have a profound affect on other parts. Progress in media, information, and communication technologies have facilitated the development of a global consciousness, enabling people all over the world, and also in Iran, to participate in discourses on world peace, human rights, and democratic issues. Politics, gender issues, the concepts of civil society, democracy and the rule of law, questioning of customs and traditions, and finding new friends are the main topics of discussion for the users. Even clerics have set up their own websites (Amuzegar 2003: 52; Mousavi-Shafaee 2003: 194).

Despite these developments the restrictions on women’s rights are reversed only gradually, as will be shown in the next section.

77. As Fairbanks notes, the change of the voting right from 15 to 18 in January 2007 was probably an attempt to counteract the many reformist oriented young voters (Fairbanks 2007: 3).
4.3.1 Women

The bill that granted women the right to obtain advisory positions in the judiciary, outlined above, came under great attack from the clerics who tried to abolish it in 1994. The women representatives, however, found support by the speaker of the majles, Ali Akbar Nateq-Nouri, a representative of the Conservative faction, who stood in the 1997 presidential elections against Mohammad Khatami.

As a consequence, the advisory roles of women in the judiciary were even extended. Women lawyers may now be in charge of the custody of minors and are allowed to act as advisors to the Administrative Justice Courts and Family Courts exclusively dealing with family matters such as marriage, polygamy, divorce, marriage payments, wages for housework, husband’s support for wives, child custody, and legal guardianship. They become assistants to the public prosecutor, the examining magistrate, and in offices for legal research and preparation of laws. They even become legal advisers in governmental departments. Every court must have a women advisor and has to take their views into consideration in their decisions. By 1997 women had access to most posts at almost all levels in the judiciary (Afshar 1998; Keddie 2000: 418).

Still, most legal reforms have not yet been successful regarding various issues concerning women. Attention in the press and elsewhere have made people aware of issues such as the beating of women and children by men, or the lowering of the marriage age of girls down to 9 years. In reality, the age of marriage of women has steadily been going up, mainly due to better education and urbanization. From 1956 via 1986 to 1996, the average age of women to marry rose from respectively 18.7 via 20 to 21 years (Afshar 1998: 148; Ladier 1996).

Another important struggle concerning the rights of women has been in increasing the few grounds on which women could ask to divorce their husbands, without his authorization in the marriage contract. In 1994, a law that in 1993 had passed parliament but had been rejected by the Council of the Guardian, was reinstated by the Council of

<table>
<thead>
<tr>
<th>Country</th>
<th>1990 Adult literacy rate (% ages 15 and older)</th>
<th>2004 Adult literacy rate (% ages 15 and older)</th>
<th>2004 Youth literacy rate (% ages 15-24)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Iran</td>
<td>63.2</td>
<td>77.0</td>
<td>n/a</td>
</tr>
<tr>
<td>Egypt</td>
<td>47.1</td>
<td>71.4</td>
<td>84.9</td>
</tr>
<tr>
<td>Iraq</td>
<td>35.7</td>
<td>74.1</td>
<td>84.8</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>66.2</td>
<td>79.4</td>
<td>95.9</td>
</tr>
<tr>
<td>Turkey</td>
<td>77.9</td>
<td>87.4</td>
<td>95.6</td>
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Public Interest, extending the right of women to divorce their husbands for reasons such as the husband’s impotence, his imprisonment, his desertion, or polygamy. It also made divorce more expensive for men, giving the right to women to keep half of the wealth and property of their husband, if he wanted a divorce without good cause. This rule was based on the assumption that wives had the right to receive wages for their housework (Afshar 1998: 186-191).

These slow improvements in the rights of women are a reflection of developments also in other areas of the socio-cultural sphere such as the freedom of the press.

4.3.2 The Press

When Hashemi Rafsanjani was elected president and Ayatollah Khomeini had died, the new Minister of Culture and Islamic Guidance, Mohammad Khatami – later to become president – reduced the pressure by the state on cultural activities. In February 1991, the Ministry stated that in 1990 the number of Iran’s newspapers had risen by about 50 percent, reaching 274. The number of dailies had risen from 10 to 19, and the numbers of scientific and specialist publications had risen by 150 percent (Aminzadeh 1992: 26-28). The critical monthly papers, Gardoun and Kiyan, and the daily newspaper, Salam, received licenses, but later came into conflict with the state (Pourrostad 2001; Kashi 2000). Under Mohammad Khatami, the Ministry of Culture and Islamic Guidance allowed the publication of new works of fiction and increased the production of music, which had been sharply sanctioned by Ayatollah Khomeini. It also lifted the ban on board games. But, under the pressure of the Conservatives, Mohammad Khatami had to resign in May 1992 and was succeeded by Ali Larijani, who had been Deputy Chief of Staff and Acting Chief of Staff of the IRGC during the Iran-Iraq War (Larijani 2000: 198-202), and in 1994 was appointed Director of Radio and Television, the Islamic Republic of Iran Broadcasting (IRIB) (Shahidi 2006: 4). Despite the abdication of Mohammad Khatami as Minister of Culture and Islamic Guidance the number of journalists by 1992 was three times higher than before the revolution, with at least 2,145 journalists. Women had a share of 13 percent in the total number, which is double from before the revolution (Mohsenian-Rad 1993: 4-17).

Although further newspaper closures took place, there were also some positive developments, especially in the second term of Hashemi Rafsanjani’s presidency (1993-1997): the inauguration of the Annual Press Festival in May 1994 (Rasaneh Quarterly Spring 1994); the establishment of the first jury to try lay publishers of newspapers in 1995 (Kashi 2000: 177-78), and the withdrawal of a bill to amend the Islamic Republic’s second Press Law, enacted in 1986 and in 1995 (Rasaneh Quarterly autumn 1995: 115). The discontent of many intellectuals with the IRI’s economic, socio-cultural, and foreign policies accompanied by a gradual loosening of the freedom to express one’s opinion, led to a broader and deeper debate on the necessity for political reform. This development could be noted, interestingly enough, especially among those intellectuals who earlier had been dedicated supporters of Ayatollah Khomeini.
4.3.3 Intellectual Debate

Intellectuals played an important role in developing the worldview of the IRI. Important issues of discussion raised by the Islamic revolution were: whether Islamic jurisprudence (fiqh) could find answers to modern social and scientific problems; whether Islam was compatible with modern technology, nationalism, and a parliamentary democracy; whether the advancement of secularism could be halted; and how could the IRI confront the West. These issues were analyzed very differently by diverse people (Boroujerdi 1996: 157). As the new supreme leader Ayatollah Khamenei did not have Khomeini’s charisma, it has been easier to criticize the regime. It is interesting to note that the critics are not outsiders, but come from the ruling elite itself. It can be said that this movement contributed later to the rise of the reform movement and the election of Mohammad Khatami as president.

In the two decades after the revolution many of the intellectuals, who earlier had supported Khomeini’s or Shari’ati’s views and were from both Islamic and secular backgrounds, became reformers. These reformers can be categorized into two groups: (1) religious lay and clerical public intellectuals and (2) reform leaders (Sadri 2001: 272).

What these clergy and the (religious) lay intellectuals have in common is their interest in philosophy and rational theology as a means to reform religious thought (Arjomand 2002: 721-722). The main issues of the intellectual debate in Iran, for clergy and (religious) laypersons, concentrate on the velayat-e faqih system, the relations between Iran and the West, and the role of Islam and the clergy in politics.

4.3.3.1 Lay and Clerical Public Intellectuals (Abdolkarim Soroush, Mohammad Mojtaheh Shabestari, and Mohsen Kadivar)

Important representatives of the religious lay and clerical public intellectuals, or nationalist-religious (melli-mazhabi) thinkers (Kamrava 2003: 106), are Abdolkarim Soroush, Hojjatoleslam Mohammad Mojtaheh Shabestari, and Hojjatoleslam Mohsen Kadivar. The post-revolutionary religious lay and clerical public intellectuals published their ideas in the journal Kayhan-e Farhangi (Cultural Kayhan), created in 1984. In this monthly journal issues of Western and Islamic modern and classical thought and literature were discussed. It addressed subjects such as Islam and science, reason and society, liberation and social justice, and Islam and the West. Between 1988 and 1990 it published a series of articles criticizing the ideology of the IRI and suggesting a reformulation of Islam in more secular and liberal terms. The journal was banned in 1990, but reopened in 1991 as the bi-monthly journal Kiyân. Kiyân published the opinion of religious lay and clerical intellectuals on issues, such as Islam and politics, Islam and ideology, Islam and modernity, Islam and pluralism; Islam and democracy, Islamic jurisprudence, and the role of the clergy in politics. The journal was banned in 2000.

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Abdolkarim Soroush

Abdolkarim Soroush is a London-trained philosopher of science and a pharmacologist. He was appointed to the Commission for Cultural Revolution by Ayatollah Khomeini after the universities were closed in 1980. He was born into a traditional learned merchant family and educated at the Alavi high school (where most of the Islamic religious lay elite were educated). Since the early 1990s, Abdolkarim Soroush has turned into one of the IRI’s most important critics (Sadri, M. 2001: 258; Boroujerdi 1996: 158). Not only are his writings important from a philosophical point of view but also because he was one of the first intellectuals who criticized the IRI “from within,” making issues debatable that have been a taboo until recently. Most importantly, he made the concept of the velayat-e faqih debatable, giving room to others to criticize it more directly (Kamrava 2003: 105-106).

In 1992, Soroush radically broke with the Islamic ideology. Soroush argues that it is not possible in the long-term to advocate a specific understanding of Islam as the ultimate one. The Islamic ideology would reduce the totality of religion to an unchanging ideological world-outlook:

“You contemplate the law of religion, I bid you to comprehend the law of the law; you have seen the water, now look through the water to see the water. You speak of bodies forcefully subdued; I bid you to think of hearts that submit freely. You respect uniformity, emulation, and obedience to religious jurisprudence and jurists, I implore you to appreciate the complexity and colorfulness of belief, liberty, subtlety, and the agility of faiths and volitions. How inferior is body to soul, dirt to hear! Truly the religious community is plural and pluralistic by nature. The plurality of religious sects and factions is but a coarse, crude, and shallow indicator of the subtle, elusive, and invisible pluralities of souls. Only after one enters that realm will one experience the wisdom of these sagacious words. There are as many paths toward God as there are people [or even as many as people’s inhalations and exhalations]” (Soroush 2000: 145).

Soroush also critiques the velayat-e faqih system. For Ayatollah Khomeini in a “religious society” the faqih enjoys the right to rule based on a specific type of religious state with its ultimate source feqh (Islamic jurisprudence). Soroush argues that feqh can only be considered as one dimension of religion. To understand religion exclusively in terms of feqh is impossible and is reductionist. Even if feqh provides answers to legal questions, it does not address deeper issues, such as the meaning of justice and freedom (Soroush 1993a). To address these latter issues, Soroush turns to kalam (theology):

“The question of religious justice is a question for feqh, but the question of a just religion is a question for kalam” (Soroush 1993a: 50).

79. See also Abdolkarim Soroush’s website http://www.drsoroush.com.
For Soroush a religious state has to be a just state. Justice, however, can only be formulated outside religion (Soroush 1993a: 52). Justice includes a conception of man, of what it means to be human, and of what rights man enjoys. This conception has to be in harmony with religion, but it cannot be defined on the basis of the religious texts alone. Man, by virtue of his humanity, enjoys certain rights that are not defined in the core religious texts. A religious state that reduces its notion of justice to the implementation of feqh puts these extra-religious rights in danger (Soroush 1993a: 52). A government ruled on the basis of feqh alone not only reduces the range of human rights, it also lacks adequate methodological tools for governance. Soroush argues that religion does not offer a plan for government, and any attempts to derive such a plan from religion are wasted. The rational administration of modern society calls for more than a highly developed code of religious law. Modern methods of government should be derived instead from the modern social sciences i.e. economics, sociology, and public administration (Soroush 1995: 28). These methods should not violate religious values, but they cannot be derived from religion itself.

Still, Soroush sees a place for Islam in politics. He argues that the only type of religious government not making Islam a single political ideology, is a democratic one. Soroush’s democratic model is pluralist, a form of government that is compatible with multiple political cultures, including Islamic ones (and Western culture) (Soroush 1993a: 269-272; 1993b: 153-154). A government that rules by one official interpretation of religion, and demands that its citizens live according to this interpretation, sacrifices human rights for ideological purity (Soroush 1996: 12). The guiding criteria for governance, instead, have to be human rights (Soroush 1996: 15). If a government defends human rights, it also defends religion, as a just understanding of religion incorporates human rights:

“observance of human rights [...] not only guarantees a government’s democratic, but also its religious nature” (Soroush 1996: 15).

Thus, a discussion of democracy is not a jurisprudential (feqhi) issue in any sense. It is rather associated with the rule of reason and the denial of absolutist authority, the latter being characteristic of a dogmatic understanding of Islam (Soroush 1994: 50-52).

Mohammad Mojtahed Shabestari
Mohammad Mojtahed Shabestari is a Shi’ite cleric. He was born into a clerical family and educated in Qom. Between 1970 and 1979, Mojtahed Shabestari was the director of the Islamic Center in Hamburg, Germany, where he became acquainted with German philosophy, and Catholic and Protestant theology. He was a member of the majles for a short period after the Islamic revolution, but soon turned his back on politics and returned to editing journals, teaching, and writing. He is also professor of theology at the University of Tehran. Mojtahed Shabestari criticizes the “official reading (or discourse)
of religion.” His writings are philosophical in nature rather than political, as are the writings of Mohsen Kadivar (Kamrava 2003: 106). Mojtahed Shabestari has made an important contribution to the intellectual debate in pointing out the limited nature of religious knowledge and Islamic jurisprudence. He, therefore, like Abdolkarim Soroush, argues that non-religious sources are necessary, in addition to Islamic ones. In calling for the separation of religious values and secular realities, Mojtahed Shabestari goes further than any other cleric (Sadri, M. 2001: 261). In a published debate (Kiyan Nov. 1995, 15(28): 2-25) entitled “Religious Pluralism,” he made a significant contribution to the criticism of the contemporary ruling Islamic political ideology, and the reformulation of Islam in more secular and liberal terms. Shabestari’s views are in fact a criticism of the government’s attempt to turn religion into dogma. The official view of the theological apparatus of the government is one that validates theocracy on the basis of a traditional jurisprudential understanding of religion. Shabestari differentiates between faith and religious law, associating faith and the essence of religiosity with religious experience rather than with Islamic jurisprudence. He refers to mystics saying that:

“the human problem is the problem of correct interpretation of religious experience and not the experience itself” (Shabestari 1995: 18-19).

This argument has important social implications with strong political consequences. By refusing to identify faith with Islamic jurisprudence, Mojtahed Shabestari rejects the state propaganda, according to which the violation of the government laws (backed by theologians) is tantamount to sinning against religion; and that the decisions of the Islamic government create religious obligations. He also rejects the government efforts to give “religious coloring” to the aspects of life that are not religious, such as politics, economics, technology, arts, etc. (Shabestari 1995: 21). In an article entitled “Modernism va Vahyy” (Modernism and the Divine Revelation) (Kiyan Mar-Apr 1996, 5(29): 18-19), Shabestari suggests that as a result of modern social, political, cultural, and economic developments in the Islamic world, the Muslim believers have faced a fundamental question namely “how to reconcile modernity with the divine revelation”? The answer to this theological question has radical political implications due to the intertwining of theology and polity in Iran, since the 1979 revolution.

Mohsen Kadivar

Mohsen Kadivar\(^80\) was a student of electronic engineering during the revolution and switched to the seminaries of Qom as an enthusiastic Islamic revolutionary. Mohsen Kadivar comes from a politically active family. His grandfather opposed the political regime of Reza Shah and his father that of Mohammad Reza Shah. Mohsen Kadivar is less well known in the West but probably as significant, for the intellectual debate in

\(^80\) See also Mohsen Kadivar’s website http://www.kadivar.com
Iran, as Abdolkarim Soroush and Mojtahed Shabestari. His ideas are close to those of the former two. He differs from them in that he develops his thought solely on the basis of Islamic sources (Sadri, M. 2001: 262). Mohsen Kadivar has published nine books, among which is a trilogy on political theology. His writings are mainly concerned with discussions on the religious government and the role of religion in the IRI. Within these discussions he focuses on four main questions: is religion a viable and necessary force in politics? Are religion and freedom compatible? What is the role of the clergy in politics? And what is the role of the velayat-e faqih system in politics? It is mainly his criticism on the velayat-e faqih system that has brought him into conflict with the clerical establishment (Kamrava 2003: 107).

In the second volume of his trilogy, titled Hokumat-e Velayati (Government of the Jurist) (1998), he attacks the principle of the velayat-e motlagheh-ye faqih as developed by Ayatollah Khomeini (Sadri, M. 2001: 264). Kadivar studied what is said about the concept in the Quran, in the sayings of the prophet, and in Islamic and Shi’ite traditions. He comes to the conclusion that the concept has never been a core of Islamic thinking and practice, but only marginal in the long history of Islamic philosophy (Kadivar 1998).

As a mojtahed Kadivar used to be immune to harassment despite his criticism on the fundamentals of the IRI. But, in 1999, he was arrested and sentenced to 18 months imprisonment, because of a talk in which he condemned the killing of Iranian intellectuals, and because of an interview in which he stated that the IRI had partially reproduced the absolute authoritarianism of the Shah period (Sadri, M. 2001: 268).

4.3.3.2 Public intelligentsia (Abbas Abdi, Akbar Ganji, and Saeed Hajjarian)

The reform leaders include outstanding figures such as Abbas Abdi, Akbar Ganji, and Saeed Hajjarian.

Abbas Abdi

In 1979, Abbas Abdi was leader of the revolutionary organization Muslim Student Followers of the Imam’s Line and one of the leading figures of the hostage taking of US diplomats and staff at the US embassy in Tehran. He has turned into one of Iran’s best-known reformists and a member of the Islamic Iran Participation Front (Jebheye Mosharekate Iran-e Eslami) for which he held a seat in parliament. In 2002, he was arrested after having held a poll among Iranians on dialogue with the US, the result of which showed that most Iranians seemed to be in favor of dialogue with the US. Before his arrest, Abbas Abdi and Mohammad Reza Khatami (the brother of former President Khatami and the first Secretary-General of the Islamic Iran Participation Front) said that reformist members of parliament would resign if reforms were not implemented,

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81. Mohsen Kadivar’s writings have been compiled in a 900 page book titled Daqdaqe-haye Hokumat-e Dini (Crises of Religious Government), (Tehran: Ney, 2000).
82. See also Abbas Abdi’s website http://ayande.ir
and spoke in favor of relations with the US, which would serve Iran better than keeping up the IRI’s anti-US ideology (Savyon 15 November 2002).

**Akbar Ganji**

Akbar Ganji used to be an intelligence officer in the IRGC and also press attaché at the Iranian Embassy in Turkey. Later he worked for the progressive daily newspapers *Hamshari* and *Kiyan*. Akbar Ganji is the son of an unskilled laborer. He is one of several examples of people who joined the revolution with great enthusiasm and followed it blindly, but later turned away from the Islamic regime and became one of its most prominent critics (Sadri, A. 2001: 277). Akbar Ganji\(^3\) coined concepts such as “follower of a different life style” (*degar-bash*) and “different thinker” (*degarandish*). He called the Conservative faction “mafia” and Hashemi Rafsanjani “godfather.” Terms like these pose a challenge to the traditional clergy as they show the emancipation of the Iranian citizens from their government (Sadri, A. 2001: 277). When Akbar Ganji returned from a conference in Berlin in 2000 he was arrested and accused of conspiring to overthrow the government. He was sentenced to 10 years imprisonment and five years of internal exile but was freed on 18 March 2006. Since his release Akbar Ganji has been traveling around the world, giving lectures and speeches on the necessity of reforms in Iran and the obstacles against such reforms. In a recent article he rejects military intervention by the US in Iran to bring about democracy. This can only be done by the Iranians themselves: “[R]egime change,” Ganji argues

“is the duty of Iranians. And it must proceed not by military means but through a sustained, nonviolent civil campaign. The campaign must protect individuals, groups, and professions. And it must aim to bring about free elections and a constitution that recognizes basic political and civil rights and creates checks on institutional power by establishing freedom of expression, the right to form trade unions and political associations, a separation of powers, a guarantee of the political neutrality of the judiciary and the armed forces, the rule of law, and fair trials” (Ganji 2007).

From his prison cell, in 2002, Akbar Ganji wrote the first book of his *Republican Manifesto* (*Manifist-I Jumhurikhvahi*), in which he demands the end of the cleric regime in Iran and the introduction of democracy. In May 2005, he released the second book of the *Republican Manifesto* calling for a boycott of the May 2005 presidential elections.\(^4\)

On the occasion of President Ahmadinejad’s visit to the US and the UN in September 2007 Akbar Ganji sent an open letter to the UN-Secretary General, Ban Ky-moon,

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83. See also a website on Ganji http://akbarganji.net
84. For the text of the 2nd book of the Manifesto see http://freeganji.blogspot.com/2005/05/republican-manifesto-ii-preface.html
in which he rejects a military attack on Iran and demands from the UN to condemn human rights violations in Iran. About 300 prominent scholars worldwide signed this open letter.\footnote{Akbar Ganji’s open letter to UN-Secretary General Ban Ky-moon of 18 September 2007, http://arabist.net/archives/2007/09/25/akbar-ganjis-open-letter-on-iran.}

**Saeed Hajjarian**

Saeed Hajjarian was professor at the prestigious Faculty of Engineering of the University of Tehran during the Mohammad Reza Shah period. He taught himself Western social sciences, as well as Islamic jurisprudence and philosophy. After the revolution he worked for the Center for Strategic Studies where he developed into one of the leading figures of the revolutionary counter-intelligence in Iran. Like Akbar Ganji, Saeed Hajjarian comes from a poor family from the slums in southern Tehran. He admired Ali Shari’ati and Ayatollah Khomeini, and enthusiastically embraced the revolution before he became a leader of the reform movement (Sadri A. 2001: 279). In his editorials in the journal *Asr-e Ma*, which have been published as a book titled *Republic: Demystifying Political Power* (1999), Hajjarian argues that the people do not have to choose between a theocratic and a secular political system, but between different theocracies (theo-autocracy, theo-aristocracy, and theo-democracy). The *velayat-e faqih* system relies both on divine and democratic sources (Hajjarian 1999: 677-688). He argues that the Assembly of Experts, which elects the supreme leader, could be the product of an autocratic, aristocratic, or democratic regime and still be a clerical institution under the constitution of the Islamic Republic (Sadri, A. 2001: 278). Since an assassination attempt in March 2000, by individuals with close connections to the IRGC, Hajjarian has been confined to a wheelchair (Sadri, A. 2001: 279).

Since the late 1990s a growing number of Iranians have been exhibiting public behavior which has been unacceptable to the government. The debate for reform has shifted from those within the regime to those outside it, like journalists, students, the women’s movements etc. These people are no longer satisfied with debating issues such as democracy, pluralism, civil society etc., but demand fundamental political reforms (Gheissari and Nasr 2004: 99), such as governmental accountability, economic reforms, the easing of the strict Islamic socio-cultural restrictions, improvements in gender relations, and good relations with the US and other Western countries. These people were mobilized in the 1997 elections and gave a voice to their demands by voting for Mohammad Khatami as president.

4.4 Socio-Cultural Developments during Khatami’s Presidency 1997-2005

Mohammad Khatami’s election to president was partly made possible because he was supported by the 2nd Khordad movement, which refers not only to pro-reformist parties...
and organizations, but also to everyone who supported Mohammad Khatami’s\textsuperscript{86} reform program. Important parties that belong to the reform camp are: the Islamic Participation Front, the Association of Combatant Clerics (\textit{Majma’-e Rowhaniyun-e Mobarez}), and the Mujahedin of the Islamic Revolution Organization (\textit{Sazman-e Mojahedin-e Engelab-e Eslami}). Abdolkarim Soroush and Saeed Hajjarian are probably the most notable figures, who through their writings paved the way for the emergence of the 2nd Khordad movement. Mohammad Khatami himself is a member of the reformist party, Association of Combatant Clerics. An important aspect of his election was, probably, that the structure of the Iranian population has changed significantly since the Iranian Islamic revolution. Between 1975 and 2004 Iran’s population increased by 2.5 percent a year from 33.3 to 68.8 million. In 2015, the total population is expected to be 79.9 million and in 2025 even 90.9 million (table 4.4 and table 4.5).

<table>
<thead>
<tr>
<th>Table 4.4 Demographic Trends in Iran, 1975-2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td>1975</td>
</tr>
<tr>
<td>Total population (millions)</td>
</tr>
<tr>
<td>Urban population (as % of total)</td>
</tr>
<tr>
<td>Population under age 15 (as % of total)</td>
</tr>
<tr>
<td>Population over age 65 (as % of total)</td>
</tr>
</tbody>
</table>


This is a similar trend to that in other countries in the Middle East and North Africa (MENA) region. For example, between 2000 and 2025, the total population in Turkey, Egypt, Oman, and Saudi Arabia is expected to increase from 68.3 million to 89 million, 67.6 million to 103.2 million, 2.6 million to 4.8 million, and 22.1 million to 39.8 million respectively (table 4.5). In 2004, the number of young people in Iran under the age of 15 amounted to almost 30 percent of the total population, while people over 65 years were only 4.5 percent of the total population. This large proportion of those under the age of 15 is also comparable to other countries in the MENA region, thus not unique to Iran. In 2000, the comparable figures for those under the age of 15 in Turkey, Egypt, Oman, and Saudi Arabia were respectively 31.7 percent, 36.3 percent, 37.6 percent, and 39.7

\textsuperscript{86} See also Mohammad Khatami’s website http://www.khatami.ir.
percent of the total population (table 4.5). The increasing number of people of working age in the MENA region necessitates the creation of new jobs. If job creation does not succeed, social and economic development will not be sufficient to satisfy the needs of the young people and could lead to mass migrations to Europe and North America (Matthiessen 2005: 5).

Table 4.5 Demographic Trends in the MENA Region, 1950-2025

<table>
<thead>
<tr>
<th>Country</th>
<th>1950</th>
<th>2000</th>
<th>2025</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Population (1,000)</td>
<td>Under 15 years (percent)</td>
<td>Population (1,000)</td>
</tr>
<tr>
<td>Algeria</td>
<td>8,8</td>
<td>40.1</td>
<td>30.2</td>
</tr>
<tr>
<td>Bahrain</td>
<td>116</td>
<td>42.3</td>
<td>677</td>
</tr>
<tr>
<td>Egypt</td>
<td>21.8</td>
<td>39.7</td>
<td>67.8</td>
</tr>
<tr>
<td>Iran</td>
<td>16.9</td>
<td>39.0</td>
<td>66.4</td>
</tr>
<tr>
<td>Iraq</td>
<td>5.2</td>
<td>45.8</td>
<td>23.2</td>
</tr>
<tr>
<td>Jordan</td>
<td>472</td>
<td>45.7</td>
<td>5.0</td>
</tr>
<tr>
<td>Kuwait</td>
<td>152</td>
<td>36.2</td>
<td>2.2</td>
</tr>
<tr>
<td>Lebanon</td>
<td>1.4</td>
<td>34.3</td>
<td>3.5</td>
</tr>
<tr>
<td>Libya</td>
<td>1.0</td>
<td>42.0</td>
<td>5.2</td>
</tr>
<tr>
<td>Morocco</td>
<td>9.0</td>
<td>44.4</td>
<td>29.1</td>
</tr>
<tr>
<td>Oman</td>
<td>456</td>
<td>42.3</td>
<td>2.6</td>
</tr>
<tr>
<td>Palestine</td>
<td>1.0</td>
<td>45.7</td>
<td>3.2</td>
</tr>
<tr>
<td>Qatar</td>
<td>25</td>
<td>42.3</td>
<td>581</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>3.2</td>
<td>42.0</td>
<td>22.1</td>
</tr>
<tr>
<td>Syria</td>
<td>3.5</td>
<td>41.5</td>
<td>16.6</td>
</tr>
<tr>
<td>Tunisia</td>
<td>3.5</td>
<td>38.9</td>
<td>9.5</td>
</tr>
<tr>
<td>Turkey</td>
<td>21.5</td>
<td>40.0</td>
<td>68.3</td>
</tr>
<tr>
<td>UAE</td>
<td>70</td>
<td>42.3</td>
<td>2.8</td>
</tr>
<tr>
<td>Yemen</td>
<td>4.3</td>
<td>42.3</td>
<td>18.0</td>
</tr>
<tr>
<td>Total</td>
<td>102,391</td>
<td>40.7</td>
<td>376,958</td>
</tr>
</tbody>
</table>

Another factor why Mohammad Khatami was elected was his emphasis on improving the situation of women in Iranian society. Women want to get rid of the image of women being inferior to men. It is the striving by women for radical, political, juridical, and cultural change that made them vote for Mohammad Khatami, whether poor or rich, Islamist or secular (Kian-Thiébaut 2002: 57).

One of Mohammad Khatami’s goals during his presidency was to make the government more transparent. This manifested itself in the mushrooming of a critical press, and also open discussions at universities, seminaries, and in parliament on the ideology of the Islamic state and how it was manifested in the constitution. Issues of discussions that previously had been the subject of debate among the elite (and intellectuals) were now open to the public and discussed in daily newspapers (Mir-Hosseini and Tapper 2006: 30). At the same time, however, President Khatami was eager to prove his unconditional loyalty to Supreme Leader Khamenei and maintain workable relations with the Conservative dominated fifth majles (1996-2000). In the beginning, those who had voted for Mohammad Khatami, more or less accepted that he was not planning to put through major reforms right away. The fact that gradually more openness and freedom was given to cultural activities such as films, the publication of books, access to satellite dishes and computers, internet cafes, and discourse in academic cycles, convinced large parts of his young voters of his argument about the “tedious process” of democratization (Amuzegar 2004: 77-78).

In the course of time, however, when it became obvious that President Khatami moved away from the reform path, and several times gave in to the Supreme Leader’s and other Conservative clerics’ wishes, his voters’ and members of the Reformist faction in parliament, who gave him political backing, started to doubt the honesty of his will to reform. In May 2003, a group of 130 members of parliament out of the 290 total members sent an open letter to Supreme Leader Khamenei. They warned Ayatollah Khamenei that the country would fall apart if he did not tolerate freedom of expression in Iran. Before it was too late, he had to choose for the people. In their open letter the members of parliament asked for a referendum, in which the people should decide on the type of regime in Iran (BBC News 30 June 2003). In 2002, President Khatami tried to break the impasse introducing two bills that would strengthen his power and reduce the power of the unelected conservative bodies. As was expected, the Conservative faction blocked these bills. The Reformist faction thus was in a dilemma. A call for a referendum is constitutionally difficult unless backed by Supreme Leader Khamenei, who did not have any intention of doing so. Some parliamentarians, such as Abbas Abdi, called for mass resignation of members of parliament, but they were a minority and thus not successful.

The first group of voters who no longer supported President Khatami was the youth, who so eagerly had campaigned for him during the election campaigns and had proclaimed him their spiritual leader. This group showed its discontent with the pace of reform for the first time in July 1999 with a peaceful demonstration against the banning of the pro-Khatami newspaper Salam. This demonstration was brutally crushed
by members of the *Ansar-e Hezbullah* (Followers of the Party of God) (Amuzegar 2004: 78-79). About 1,400 demonstrators were arrested. During the gathering, in 2000, to remember the first anniversary of the July 1999 demonstration, organized by the *Daftar-e Takhim-e Vahdat* (Office to Consolidate Unity), the largest organization of Muslim University students claiming to have more than 500,000 members, the participants shouted: “Khatami show you power or resign” and “Khatami, this is our final notice” (The Guardian 10 July 2000 quoted in Amuzegar 2004: 79). Thus, during these demonstrations President Khatami himself became the direct target of student protests (Amuzegar 2004: 79). The demonstrations do not only challenge the political regime in Iran, but also show that the struggle for reform has shifted from the powerful people among the political elite to the masses urging constitutional change and secular democracy (Gheissari and Nasr 2004: 103). Nevertheless, in the presidential elections of 2001, Khatami broke his own record, winning 77 percent of the votes up from 70 percent in 1997. One reason for this success was, probably, the huge number (6 million) of first time voters (Iran Press Service 10 June 2001). Mohammad Khatami was the first ever Iranian president who increased his votes in a re-election (Abootalebi 3 September 2001).

### 4.4.1 Women

The second group disappointed with President Khatami was the women. Although the dress code was gradually relaxed and women had more rights in their “personal space,” President Khatami did not fulfill the expectations of women, such as integrating more women into the political establishment (Amuzegar 2004: 80-81). In the academic year 1998-1999, for the first time since 1939, when women were first admitted to universities, the number of female students reached 52 percent, 2 percent more than men. But, of 2.16 million people working for the government or semi-governmental organizations, like the religious foundations, less than one third are women, often occupying the low-level jobs (Kani-Thiébaut 2002: 63). Although more than 50 percent of university students are women their participation in the workforce, as can be seen in tables 4.6 a-c, between 1976 and 1996 has not significantly changed.

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87. The Ansar-e Hezbullah is a militant group and declares itself to be absolutely loyal to the supreme leader. Most of its members are also members of the *Basji* militias or veterans of the Iran-Iraq War.
### Table 4.6a Gender Composition of Employment, shares in percent, 1976

<table>
<thead>
<tr>
<th></th>
<th>Males</th>
<th>Females</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professional</td>
<td>66.22</td>
<td>33.78</td>
<td>100.00</td>
</tr>
<tr>
<td>Administrative</td>
<td>96.66</td>
<td>3.44</td>
<td>100.00</td>
</tr>
<tr>
<td>Clerical</td>
<td>85.52</td>
<td>14.48</td>
<td>100.00</td>
</tr>
<tr>
<td>Sales</td>
<td>98.60</td>
<td>1.40</td>
<td>100.00</td>
</tr>
<tr>
<td>Services</td>
<td>84.27</td>
<td>15.73</td>
<td>100.00</td>
</tr>
<tr>
<td>Agriculture</td>
<td>77.19</td>
<td>22.81</td>
<td>100.00</td>
</tr>
<tr>
<td>Production</td>
<td>80.24</td>
<td>19.76</td>
<td>100.00</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>92.43</td>
<td>7.57</td>
<td>100.00</td>
</tr>
<tr>
<td>Total employment</td>
<td>80.54</td>
<td>19.46</td>
<td>100.00</td>
</tr>
<tr>
<td>Total employment (000)</td>
<td>7649.70</td>
<td>1848.30</td>
<td>9498.00</td>
</tr>
</tbody>
</table>

### Table 4.6b Gender Composition of Employment, shares in percent, 1986

<table>
<thead>
<tr>
<th></th>
<th>Males</th>
<th>Females</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professional</td>
<td>67.43</td>
<td>32.57</td>
<td>100.00</td>
</tr>
<tr>
<td>Administrative</td>
<td>96.55</td>
<td>3.45</td>
<td>100.00</td>
</tr>
<tr>
<td>Clerical</td>
<td>87.27</td>
<td>12.73</td>
<td>100.00</td>
</tr>
<tr>
<td>Sales</td>
<td>98.51</td>
<td>1.49</td>
<td>100.00</td>
</tr>
<tr>
<td>Services</td>
<td>92.96</td>
<td>7.04</td>
<td>100.00</td>
</tr>
<tr>
<td>Agriculture</td>
<td>91.93</td>
<td>8.07</td>
<td>100.00</td>
</tr>
<tr>
<td>Production</td>
<td>93.67</td>
<td>6.33</td>
<td>100.00</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>95.97</td>
<td>4.03</td>
<td>100.00</td>
</tr>
<tr>
<td>Total Employment</td>
<td>91.06</td>
<td>8.94</td>
<td>100.00</td>
</tr>
<tr>
<td>Total employment (000)</td>
<td>10054.3</td>
<td>987.1</td>
<td>11041.4</td>
</tr>
</tbody>
</table>

### Table 4.6c Gender Composition of Employment, shares in percent, 1996

<table>
<thead>
<tr>
<th></th>
<th>Males</th>
<th>Females</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professional</td>
<td>67.10</td>
<td>32.90</td>
<td>100.00</td>
</tr>
<tr>
<td>Administrative</td>
<td>87.20</td>
<td>12.80</td>
<td>100.00</td>
</tr>
<tr>
<td>Clerical</td>
<td>83.00</td>
<td>17.00</td>
<td>100.00</td>
</tr>
<tr>
<td>Sales and services</td>
<td>94.90</td>
<td>5.10</td>
<td>100.00</td>
</tr>
<tr>
<td>Agriculture</td>
<td>91.10</td>
<td>8.90</td>
<td>100.00</td>
</tr>
<tr>
<td>Production</td>
<td>89.00</td>
<td>11.00</td>
<td>100.00</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>94.70</td>
<td>5.30</td>
<td>100.00</td>
</tr>
<tr>
<td>Total Employment</td>
<td>87.90</td>
<td>12.10</td>
<td>100.00</td>
</tr>
<tr>
<td>Total Employment (000)</td>
<td>12808.40</td>
<td>1763.10</td>
<td>14571.50</td>
</tr>
</tbody>
</table>

1. Classification of occupations has changed slightly since the latest census in 1996; sales and services are combined according to new classification.

Overall female employment even declined after the revolution, from 19.46 percent in 1976 to 8.2 percent in 1986, with a slow increase to 12.1 percent in 1996. Women account for only 3 percent of Iran's engineers or physicians, but for 46 percent of the jobs at the Ministry of Education, and 42 percent of the jobs at the Ministry of Health and Medical Higher Education (Kani-Thiébaut 2002: 63). Of the 238 candidates for the presidential elections in 1997 only 8 were women. One of them was Azam Taleqani, daughter of Ayatollah Mahmoud Taleqani, and founder of the Iranian Islamic Women's Institute (Kani-Thiébaut 2002: 58).

The fight of women for their rights has led to a solidarity and active cooperation between secular and Islamist women (Kani-Thiébaut 2002: 66). The struggle of women organizations and arguments in the majles, the public media, and elsewhere has resulted in changes to the laws that had protected in-equalitarian treatment of men and women. These changes, however, have still not gone as far as the pre-revolutionary Family Protection Law. The struggle for reform continues and has even received support from some clerics. As these clerics are still in a minority, they have to be careful when speaking out for women, as they still act in a conservative dominated environment regarding gender and family issues (Mir-Hosseini 1999).

During Khatami's Presidency, a shift could be noted from emphasizing the status of women in Iran (with no bill on women's rights having passed parliament during this period) to issues such as freedom of the press, civil society, and democracy. Many women see the latter three as a precondition for improving their own rights (Keddie 2000: 419). In 2003, the Iranian human rights lawyer, Shirin Ebadi, received the Nobel Peace Prize for her fight for the rights of women, children, and dissidents in Iran. Shirin Ebadi was the first Muslim woman to receive the prize.

To be able to make major steps forward, concerning the rights of women, what is needed, is not only the cooperation between secular and Islamic female activists, but also the support of secular men and Reformist clerics with a high status in society. Although some laws affecting the dress code of women, family planning, and other individual laws have been loosened, the status of women in the Iranian society is still low. Women have suffered severely under the economic difficulties and the decline in the standard of living in the last decades.

At the same time, it has to be noted that despite many restrictions, most religious and political leaders have no objections to the participation of women in politics, in the market, and social activities. Furthermore, the wider access to education for women, internal migration, and rapid urbanization has supported the mobilization of women in society. As Khosrokhavar (2000: 23) states:

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88. Supporter of Prime Minister Mosaddeq in the 1950s and candidate for the parliamentary elections in 1952. He was also one of the key figures of the Iranian Islamic revolution.
89. See Shirin Ebadi's website http://www.shirinebadi.ir/
“Women are much better educated than before and they are by far more conscious of their unjust situation [...]. In comparison to the Shah’s times when they were accorded a partial juridical equality with men, they are now more mature in terms of human agency. Before the revolution, the great majority of women had no clear consciousness of their rights, now, they are much more aware of the necessity to engage in social action to convince public opinion (particularly men) to change the laws in the name of social justice.”

When the Conservatives gained the majority in parliament in 2004, they were able to slow down the legislation process of the Reformist government. When the Reformists had the majority in parliament they aimed at improving the position of women in Iran. The Conservative dominated parliament passed two bills to counteract this development. The first bill was the “Adaptation of Medical Services to Religious Law,” which aimed at extending gender segregation to medical services. The second bill “Banning the Exploitation of Women’s Images and the Creation of Conflict between Men and Women by Propagating Women’s Rights Outside the Legal and Islamic Framework,” intended to end the public debates in the press on women’s rights. Although these bills could not be implemented, during the Reformist led government, they put pressure on the Khatami government (Mir-Hosseini and Tapper 2006: 31).

4.4.2 The Press
The Ministry of Culture was more tolerant of the press when Mohammad Khatami was president. Also, independent filmmakers enjoyed more freedom. During the first year of Khatami’s presidency the number of newspapers rose to more than 850 (Mo’tamednejad 1998: 45). In September 1997, the Association of Iranian Journalists was established (Ruznamehnegar 1999: 1). But, the first four years of Khatami’s presidency were accompanied by assaults by Conservatives on Reformists after the former’s severe losses in elections, particularly during the sixth majles (2000-2004) elections in February 2000, followed by the presidential elections in May 2001. In the summer of 1998, Conservative figures of the IRI repeatedly attacked Iran’s new press (Rasaneh Quarterly Summer 1998: 159-160). Even Supreme Leader Khamenei warned that the increasing number of newspapers was a “cultural offensive by the West,” with its “old technique of “divide and rule,” sometimes using “negligent, careless elements” within the IRI. On 16 September 1998, during a meeting with IRGC commanders and officers, Supreme Leader Khamenei said that the Islamic Republic believed in “freedom of expression and freedom of social activities,” but these freedoms were limited by Islam. There was no “freedom to commit treason” or to “conspire.” He warned the officials, giving them an ultimatum, to

“take action, to see which newspaper is stepping beyond the limits of freedom” (Rasai 2001).

A survey of the Iranian press during the period 1994-1999 concluded that there was a
rise in “sensitive” criticism of the Iranian political elite criticizing not only the president but also the supreme leader (Mohsenian-Rad 2001: 136-139). In July 1999, the newspaper Salam was closed by the Special Court for the Clergy. It had printed an article on the Senior Intelligence Minister, Saied Eslami, who was considered the chief person responsible for the killings of the writers and political activists Dariush Forouhar (and his wife Parvaneh), Mohammad Mokhtari, Majid Sharif, and Jafar Pouyandeh in 1999 (see Kaviani 1999). The Minister of Culture and Islamic Guidance, Ata’ullah Mohajerani, criticized the closure of the newspaper (Poroustad 2001: 210-11). The closure of the newspaper also led to the student demonstrations in Tehran in July 1999. During a meeting with members of the Supreme Cultural Revolution Council in December 1999, Supreme Leader Khamenei underlined his dissatisfaction with Ata’ullah Mohajerani and his Ministry. At the Friday Prayer in Tehran in the same month he argued that part of the domestic media belonged “to the enemy” and were “lying” and “crying out all the time, complaining of oppression” (Rasai 2001: 1, 200-204).

After a conference in Berlin, in April 2000, to discuss the Reformists’ victory at the parliamentary elections, most of the speakers from Iran were prosecuted and six of them, including two of the four women, were imprisoned briefly. Ezatollah Sahabi, Akbar Ganji, and Ali-Reza Afshari received longer prison sentences, based on charges not related to the Berlin Conference (see Zakariaee 2000). The Conservatives who had the majority in the fifth majles tried to push through a new press law before their term had ended. When the Reformists gained the majority in the sixth majles they declared that changing the law, passed in the fifth majles, would be one of their main priorities (Rasai 2001: 1, 206-209). In the sixth majles the Reformists introduced an urgent bill to parliament to amend the Press Law. The Speaker of Parliament, Mehdi Karrubi, however, removed this bill from the agenda, after he had received a hand-written instruction of Supreme Leader Khamenei warning against

“the enemies of Islam, the Revolution and the Islamic system taking the press in their hands” (Rasai 2001: 2, 247).

This was the first of many failures to come for Reformists, in their attempts to push through new legislation when they had the majority in parliament. Furthermore, between 1998 and 2002, many pro-reform activists were harassed. These assaults manifested themselves in the closure of pro-reform publications, imprisonment of influential journalists, the curtailing of the powers of the reformist-dominated majles, and the arrest of some students being accused of “plotting against the regime” (Iran Press Service 4 April 2001). On 8 April 2001, 40 members of the Liberation Movement of Iran were arrested. The Revolutionary Court in Tehran also issued a warrant to arrest the Secretary-General of the Liberation Movement of Iran, Ebrahim Yazdi, who had been residing in the US for cancer treatment. In late March 2001, Mrs. Haqiqatjoo, a member of the majles, was arrested for six hours for having openly criticized the arrest of the
journalist Fariba Davoudi-Mohajer. In a Norouz address on 20 March 2001, President Khatami himself said of some elements in the political elite as reaction to the arrests:

“opponents of reform are threatening the country’s future. Those who do not understand the nation’s genuine and historical demands for freedom, independence, and progress, those who sow the seeds of hatred and violence, have chosen an ill-fated journey […] The Iranian nation will say no to them all” (Radio Free Europe/Radio Liberty 26 March 2001).

When President Khatami held the inauguration speech to his second term as president, in August 2001, he stressed the importance of freedom of speech and the right to protest within the law, as preconditions for reform (Asia Times 15 July 2001 in Amuzegar 2004: 82). Reality, however, was different. In December more than 2,000 Internet websites were blocked by the government and 200 reformist publications gradually banned. According to a 2003 report by Reporter without Borders, Iran is among the world’s ten worst countries for freedom of the press. The PEN Society even lists Iran among the top five countries in repressing writers and censoring publications (Iran Times 12 December 2003).

Because of the closure of a great number of newspapers, the Internet became an alternative and efficient means of communication for journalists and the youth to continue their debate on reforms in Iran. According to the former Minister of Communication and Information Technology, Seyyed-Ahmad Mo’tamedi, by January 2005 Iran reportedly had six million internet users compared to 250,000 in 2000 (Shargh 24 January 2005: 4; Basmenji 2005: 315), most of these being in Tehran and other larger cities (Shargh 2 March 2005: 5) but gradually also in the countryside. A report by Reporters without Borders notes that from 1994 privately owned Internet Service providers (ISPs) started to operate beside the public Intelligence Ministry run ISP, Data Communication Company of Iran (DCI). Privately owned ISPs need the permission of the Intelligence Ministry to operate. They also have to use firewalls for viewing websites and emails. Users have to sign a statement that forbids searching “immoral and anti-revolutionary” websites. When Mohammad Khatami was elected president in 1997, Internet cafes mushroomed, especially in the large cities (Basmenji 2005: 52-53). Web logs in the Persian language first appeared in 2001. Since then they have increased rapidly. Persian is currently the third most used language by “bloggers” (web log writers) in the world behind English and Chinese (Basmenji 2005: 315).

The Internet has also reached hardline clerics and the religious schools in Qom. Like the youth, many clerics use the Internet to share their views. Although the Conservatives distrust the Internet, they use it to spread their own propaganda, on sites such as

90. In the countryside villages with more than 100 inhabitants have telephone connections.
91. On the usage of web logs in Iran see Alavi, N. We are Iran: The Persian Blogs. (New York: Soft Skull Press, 2005).
In Qom several thousand students are trained in information technology each year. Still, the Internet continues to be mainly used by regime critical intellectuals, dissidents, and the youth (Basmenji 2005: 55). Mousavi-Shafaee 2003: 194).

Despite this rapid growth in Internet use in Iran, by world standards it is rather modest. For example, in January 2005 Iran had, in absolute terms, almost as many Internet users as Sweden. However, this was only 7 percent of the total population whereas in Sweden it is about 74 percent, the highest internet usage in the world (Jahan-e San’at 2 March 2005: 5).

By the end of 2004 there were more than thirty online news agencies and news sites that represented the ideas of various political factions of the political elite, but about 10,000 sites, reportedly, were blocked by the Iranian government on grounds that they constituted a threat to the “national interest” of Iran. Even more sites were blocked that came from abroad. This puts Iran – together with China – at the top of the countries in the world with restricted Internet use (Internet Filtering in Iran in 2004-2005: A Country Study). When the Iranian government started to close down websites, a rapid rise in the use of mobile phones and simple text messages (SMS) could be noted. By the end of 2004, about 3.5 million Iranians had mobile phones (Shargh 2 March 2005: 11). At the end of the same year Iran had more than 1,200 newspapers and more than 5,000 journalists, which is a growth rate much faster than that of the growth in the population since the revolution (Shahidi 2006: 25).

Probably, the most important achievements of the Iranian press since the revolution has been the introduction into the country’s political vocabulary of concepts such as “citizenship,” “civil society,” “pluralism,” “transparency,” “accountability,” and “the rights of women, children, and minorities.”

4.4.3 Intellectual Debate

In contrast to Ayatollah Khomeini, who believed in the holistic character of Islam as well as its holy nature, Mohammad Khatami distinguishes between what in religion is essential and what is not. While advocating the rights of minorities and showing his respect for human rights, Mohammad Khatami rejects the idea of natural human rights and a social contract as characteristics of the “western civil society.” He does not consider the veil as essential and understands that the youth needs more freedom.

The change in outlook could more clearly be recognized at the governmental policy level. While Ayatollah Khomeini’s era was characterized by repression and intolerance, during Khatami’s presidency there was more dialogue and persuasion. The press was allowed to criticize the government more openly and to debate future perspectives. During the electoral campaign in 1997, presidential candidate, Mohammad Khatami, broke away from the rhetoric of the early revolutionaries. Instead he chose to use a new

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terminology discussing concepts such as “civil society,” “the rule of law,” “citizens’ rights and dignity,” “political participation,” and “women’s presence,” a novelty in the political discourse in the IRI. The concept of civil society became a political project (Boroumand and Boroumand 2000: 304). His thoughts have been heavily influenced by religious lay and clerical intellectuals, such as Abdolkarim Soroush and Mohammad Mojtahe Shabestari (Adib-Moghaddam 2006: 667). Mohammad Khatami’s slogans of civil society and the rule of law (hukumat-e quran) showed an implicit contrast to hukumat-e eslami, the slogan of the revolution. Khatami’s first Minister of Culture and Islamic Guidance, Ata’ullah Mohajerani, lifted many restrictions on the press, with the result that pro-Khatami newspapers flourished spreading his political discourse and neologisms such as “civil society” (jame-ai mahani), “legality” (qanan-mandi) “citizens” (sharvandan), and “law-orientedness” (qanun-gira-i), many of which had been introduced by Khatami himself (Arjomand 2002: 726). The fact that the concept of civil society appeared on the political agenda during Khatami’s presidency does not mean that it necessarily led to the empowerment of civil society. The development of a civil society in a theocracy is a contradiction in itself, since civil society means the autonomy of individuals and associations, the precondition for which is the ideological and religious neutrality of the state (Cohen and Arato 1992: 18-26; Gellner 1994: 188).

Still, Mohammad Khatami’s rhetoric shift from the ummah to civil society suggested that the regime was willing to deal with the social realities in Iran, rather than to ignore or reject them (Boroumand and Boroumand Summer 2000: 308-309).

However, though Khatami used expressions clearly linked to modern democracy, one has to be aware that he integrated them into a philosophy, hostile to modern democracy (Khatami 1997; Khatami Kayhan 29 July 1989 [8/5/1368]; Khatami Kayhan 25 November 1980 [4/9/1359]; Boroumand and Boroumand Summer 2000: 309-310). This philosophy is based, among others, on the following assumptions: (1) all Iranians are Muslim; (2) religion and politics are one in genuine Islam, (3) secularism and humanism have no place in the heart of the Iranian people; and (4) most importantly, his acceptance of the concept of the velayat-e faqih (Khatami 1997: 198-99).

Mohammad Khatami’s concessions to the Conservatives, particularly his support for the concept of the velayat-e faqih, posed an obstacle to political reform, and split his supporters (Amuzegar 2004: 83). He disagreed with Grand Ayatollah Montazeri’s religious edict, according to which in Islam no single clergy (the supreme leader) should be the ultimate political authority. During the course of Khatami’s presidency, reform minded-clerics who had been his supporters, such as Abdollah Nouri, Mohsen Kadivar, and Hassan Yousefi-Eshkevari, were all sentenced to various prison terms by the Special Clerical Court. They had argued that the Quran should be interpreted according to changes in time and place. Abdolkarim Soroush was harassed by the Islamic paramilitary basji and stopped giving speeches at public gatherings. The history professor and Mohammad Khatami’s supporter, Hashem Aghajari, had openly called for an Islamic Protestantism and was imprisoned (Amuzegar 2004: 84).
The movement for democracy in Iran is missing leadership. However, although it has yet a mass base, it is sufficiently developed not to be kept silent any longer through limited concessions from above. The socio-cultural debate will play an important role in how the Iranian political elite will deal with the pressures for change from below, while preserving its own interests and at the same time being confronted with economic and political domestic, as well as international challenges (Gheissari and Nasr 2004: 105), especially since the neo-Conservative Mahmoud Ahmadinejad has been elected president.

4.5 Socio-Cultural Developments during Ahmadinejad’s Presidency (since 2005)

It can be argued, according to Sohrabi (April 2006: 3), that Ahmadinejad and his supporters were successful in the presidential elections of 2005 due to the success of the reform discourse, although Mahmoud Ahmadinejad stands for the ideology of the Islamic revolution. Ahmadinejad is a member of the Islamic Society of Engineers (ISE) and an important figure in the Alliance of Builders of Islamic Iran (E’telaf-e Abadgaran-e Iran-e Eslami)\(^\text{93}\), an alliance of several conservative political parties and organizations.

During his second presidential campaign, in 2001, President Khatami stated in a speech that the reform movement had been successful in introducing the term *mardum salari* (the rule of the people) into the political discourse in Iran. Even the Conservative faction, and particularly President Ahmadinejad, are using the term in their vocabulary. Ahmadinejad refers to himself as a “man of the people” (referring to his social background and simple lifestyle) (Sohrabi April 2006: 3). President Ahmadinejad has even opened his own web log\(^\text{94}\), on which everyone can react and give comments.

Since Mahmoud Ahmadinejad took office, pressure on Iran’s socio-cultural issues has been continually increased. Critics of the government have been removed from their jobs, imprisoned without any legal grounds or recourse to a lawyer, and forced to make accusatory confessions. Universities have let go numerous liberal lecturers, administrative staff has been replaced, and critical students have been prevented from continuing their studies (Nirumand 2006). Similar to the first ten years after the revolution, the educational system has come under the control of the paramilitary organizations of the political system, the *basij* and the IRGC. They observe students with newly installed video cameras (Nirumand 2006; The Associated Press 5 September 2006). The measures taken against universities, professors, and students have provoked massive protest among students. A demonstration organized by Tahkim Vahdat, with thousands of participants, was held on 6 December 2005 (the annual Students Day) on the campus of Tehran University. According to the Iranian Students News Agency (ISNA) there were violent clashes between students and the authorities, with

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93. See the organization’s website www.abadgaran.ir.
94. See http://www.ahmadinejad.ir/
students injured and some arrested (Nirumand 2006). Since Ahmadinejad has been
president, human rights violations, the arrest of writers, journalists, political activists,
labor leaders etc., deaths while in detention, and the execution of teenagers have all
been intensified, as has the pressure on women.

4.5.1 Women

Since Mahmoud Ahmadinejad has become president the women’s dress code has been
tightened, women are hindered in participating in sport or recreational activities, and
even from entering universities. The Iranian Ministry of Education announced the re-
introduction of separate university education for men and women (Nirumand 2006;

Since 2007, the Iranian government has increased arrests of women for wearing too
tight overcoats or letting too much hair peek out from under their veil. Since the death
of Khomeini, crackdowns on women regarding their dress code had never been that
harsh. It seems as if President Ahmadinejad wants to impose the strict dress code of
the early years after the Islamic revolution, which has been more and more loosened
in recent years. Some Conservative forces seem to be in favor of such policy, such as
Mostafa Pourmohammadi, the Interior Minister in charge of the campaign:

“People are unhappy with the social and moral status of the society. They expect that the fight
against social insecurity be properly implemented” (cited in Darein 23 April 2007)

Young Iranians, however, are angry, for example 23-year-old student Elham Moham-
madi said:

“What they do is really insulting. You simply can’t tell people what to wear. They don’t under-
stand that use of force only brings hatred toward them, not love” (cited in Darein 23 April 2007).

The government has also made attempts at limiting female activities. In June 2006 a
women’s demonstration for more rights of women was broken up and in January 2007
three Iranian journalists who were on their way to India to follow a journalism training
course were temporarily arrested. The arrest of the three journalists was reported by
many bloggers on their web logs. One day later the three women were released. One of
the arrested women, Farnaz Seifi, has written about her arrest on her own web log. This
really is a new development in Iran according to Keddie (2007: 29).

As has been outlined above, secular and Islamic women in Iran have joined together
in their fight for more rights for women. They also cooperate with feminists who were
born in Iran but now live abroad. Their activities are undermined by women who are
not in favor of equal rights for women, some of which have been Members of Parlia-

95. See www.memri.org/bin/opener, 6 December 2006; www.iran-emrouz.net, 30 October 2006.
ment. Again, other women parliamentarians have promoted women’s rights (Keddie 2007: 28).

4.5.2 The Press
A number of independent newspapers have been banned (e.g. the newspaper *Sharq* which was reopened in May 2007 and closed again on 6 August 2007), censorship has been tightened, and great pressure has been put on cultural and scientific institutions that are not willing to act according to the dictates of the government. Also, independent journalists and bloggers have been harassed and websites closed (Nirumand 2006). Reporters Without Borders considers the years 2005-06 as the worst post-revolution years for journalists in Iran.\(^6\) Freedom House’s “Freedom in the World 2006” categorizes Iran as “not free,” with a score of six (seven being the worst).\(^7\) The Index of Economic Freedom 2007 places the IRI at 150\(^\text{th}\) out of 157 countries.\(^8\) News reports do not only see the personal freedom, the extent of political repression, and social restrictions below international norms, but also in violations of the IRI’s own constitutional guarantees. Domestic and foreign analysts agree that, while since the Islamic revolution there has been a gradual move towards greater personal freedom, since Ahmadinejad’s presidency this trend has been reversed going back to the state of affairs in the early post-revolutionary years. Mahmoud Ahmadinejad’s move against university professors is but one example in the new “cultural revolution”.\(^9\) Since Ahmadinejad has been president there has been an increasing discrimination on the basis of religion and language, pro-reform newspapers have been closed, non-Governmental Organizations suppressed, bloggers harassed, more internet sites filtered, satellite dishes have been confiscated, the headquarter of the Islamic Students’ Association has been closed, and foreign correspondents harassed.\(^10\)

Also, Iranians with a double nationality have been harassed in Iran. On 11 July 2003 (which was still during Khatami’s presidency), the Iranian-born Canadian journalist, Zahra Kazemi, died in prison. Kazemi was arrested on 23 June 2003 while taking photos in front of Tehran’s Evin prison. She was accused of spying. The circumstances of her death are still unclear, but Dr. Shahram Azam, an emergency-room doctor who examined her before she died, says she was beaten, tortured, and raped while in custody (Haeri 1 April 2005). On 8 May 2007, Haleh Esfandiari, Director of the Middle East Program at the Woodrow Wilson International Center for Scholars, with Iranian-American...
ican nationality, was arrested and put in Evin prison. She was charged with seeking to overthrow the Islamic government (Woodrow Wilson Center 22 May 2007). Her detention took place shortly after the arrest on 1 May 2007 of Hossein Mousavian, former nuclear negotiator and former Ambassador to Moscow and Berlin, on charges of having contacts with western officials. He was released nine days after his arrest. The release of Mousavian was seen as a victory for allies of former President Rafsanjani one of the main critics of President Ahmadinejad (Smyth 21 May 2007). Haleh Esfandiari was reportedly released from prison on 21 August 2007 on US$330,000 bail (Wright 21 August 2007). Another Iranian-American has been held in prison, on the same charges as Esfandiari, since early May 2007. Kian Tajbakhsh is an urban planning consultant working for the Soros Foundation’s Open Society Institute. Finally, the Iranian-American, Parnaz Azima, a journalist who works for Radio Farda was held in prison and is now free but barred from leaving Iran, and Ali Shakeri, a founding board member of UC Irvine’s Center for Citizen Peacebuilding is imprisoned. These arrests put great pressure on relations between Iran and the US.

The increasing pressure on intellectuals, writers, artists, and journalists by the Iranian government has led to a new wave of emigration to Western countries. The emigrated intellectuals play an important role in the intellectual discourse in Iran through their activities in Persian language media abroad. Although the Iranian government has tried to filter Internet websites and block the receipt of foreign radio and television satellite programs, it has not been able to quieting their voices. With their programs from outside Iran, these intellectuals have greatly influenced the students and women’s movement in Iran (Mohammadi 2007).

**4.6 Summary**

During Ayatollah Khomeini’s leadership, in the early years after the Islamic revolution, strong restrictions were put on the socio-cultural freedom of the Iranian people, especially women. Shortly after the IRI had been established the *shari’a* became the main source of law. Central to this policy was the reversal of all policies of gender equality, introduced earlier by the Shah. Despite the restrictive policies concerning gender and family issues, there was also another side of the regime, namely the necessity for the mobilization of women in the public sphere, female education, and women’s activities during the Iran-Iraq War. After consolidating its power in 1979, the regime promoted women’s work in limited spheres, such as in the religious area, the social welfare area, the government area, and the women’s movement.

Despite the great pressure on women, starting shortly after the Islamic revolution, women, both Islamic and secular, started to organize themselves to fight for their equal

rights, as Iranian citizens, with men. The fact that female education has increased immensely since the revolution has opened the door for women to articulate their aims and visions in a more organized form. Today, about 50 percent of university students are women.

After the Islamic revolution, great restrictions were also imposed on the press. Fewer newspapers existed in the early years after the revolution than during the Mohammad Mosaddeq period in the early 1950s. Though the number of newspapers rose immensely during Khatami’s presidency, even then, and especially since Ahmadinejad’s presidency, many critical newspapers have been closed.

The restriction of women’s rights, press censorship, the imposition of the dress code accompanied by an economic crisis, and restricted individual freedom have led to great discontent with the regime—especially among the younger population, but also among clerical and (religious) lay intellectuals. This discontent came to the fore, after the death of Ayatollah Khomeini in 1989, and when Hashemi Rafsanjani was elected president in the same year. It was driven by three inevitable changes that had taken place after the death of Khomeini:

1. The long years of war against Iraq, economic crisis, and socio-cultural restrictions made many Iranians turn away from the ideology of the Islamic revolution;
2. The large generation of Iranians born in the 1970s and 1980s that recently entered the political arena, were generally disillusioned with the Islamic regime and strongly demanded reform;
3. The process of globalization and its influences both on people and states was crucial in this context. Progress in media, information, and communication technologies facilitated the development of a global consciousness, enabling people all over the world, and also in Iran, to participate in discourses on world peace, human rights, and democratic issues. Even clerics have set up their own websites.

The composition of the Iranian society has changed significantly since the revolution. In 2004 the number of young people in Iran under the age of 15 amounted to almost 30 percent of the total population. Young Iranians are frustrated with the poor economic prospects and socio-cultural restrictions in Iran. They are the driving force that urges political and economic reform. The demand for reform started gradually with the death of Khomeini and reached its heights during Khatami’s presidency, and was propagated mainly by women, students, and other young Iranians. It has also been reflected in the more open intellectual discourse on issues such as democracy, civil society, the rule of law etc. Involved in this discourse are religious lay and Islamist intellectuals, reform leaders, as well as the public. Some of these figures had earlier been followers of Khomeini and the Islamic revolution, but now have turned into reformers both with an Islamic or secular background. It can be said that they prepared the ground for the Reformist movement to flourish, with their fundamental critique on the *velayat-e faqih* system, the basic principle of the IRI, and their demand for a secularization of the political system in Iran.
The decline of the Islamic ideology combined with the failure of economic reform, confront the IRI with the greatest challenge to its legitimacy since the revolution. Both the public and the press openly question the role of Islam and the concept of the *ve- layat-e faqih*. Even the election of Ahmadinejad as president, with the extensive restrictions in the socio-cultural area that have been introduced since his presidency, does not change this development.

In the next chapter continuity and change in the geopolitical visions and foreign policy of the Iranian political elite since the Islamic revolution are analyzed.
Chapter 5
Factional Rivalries and Iranian Foreign Policy

5.1 Introduction

The following analysis focuses on the foreign policy of the IRI since the Islamic revolution of 1979 until (December) 2007. The main questions to be raised in this chapter are:

1. What influence has the Islamic revolution had on foreign policy orientation and formulation of the IRI?
2. What impact have Supreme Leader Ayatollah Ruhollah Khomeini (1979-1989), and the three presidents Hojjatoleslam Ali Akbar Hashemi Rafsanjani (1989-1997), Hojjatoleslam Mohammad Khatami (1997-2005), and Mahmoud Ahmadinejad (2005-) had on foreign policy? Have there been major shifts in foreign policy orientation during their rule or has the overall foreign policy approach, introduced by Khomeini after the revolution in 1979, remained the same?
3. What is the impact of the Shi’ite ideology as developed by Ayatollah Khomeini on foreign policy formulation in Iran?

As has been explained in chapter 1, foreign interventions in Iran by France, Russia, Britain, and the US since the 19th century, have had great effects on Iranian foreign policies even until today.

During the reign of the last Shah, Mohammad Reza Shah, Iran was a close ally of the US and aimed to achieve a prominent position in the Persian Gulf region. As has been outlined in the earlier chapters, the Islamic revolution meant a total break with the foreign policy of the Shah.

Generally speaking, Iran’s foreign policy approach since the Islamic revolution can be summarized as follows:

1. During the first ten years after the revolution, when Ayatollah Khomeini was the Supreme Leader, it was dominated by two main ideological principles, manifested in two slogans: First, “Neither East nor West but the Islamic Republic,” away especially from Western (US) influences in Iran; and second, the “Export of the Revolution,” to free Muslim countries and non-Muslim countries from their “oppressive and corrupt rulers.” The latter served as a means of mobilization of the Iranian people to support the eight-year war with Iraq (1980-1988). Thus, the first ten years after the revolution were mainly ideologically driven in foreign policy.

103. This chapter is partly based on the author’s earlier published article “Iranian Foreign Policy since the Iranian Islamic Revolution: 1979-2006,” in M.P. Amineh (ed.), The Greater Middle East in Global Politics: Social Science Perspectives in the Changing Geography of the World Politics, (Leiden and Boston: Brill Academic Publishers, 2007), 146-175.
orientation, inspired by the Shi’ite ideological doctrine as developed by Ayatollah Khomeini;
(2) Due to the great economic problems in Iran and because, with the emergence of Hashemi Rafsanjani as President in 1989, a power shift took place from an alliance between the Conservative and the Radical Left factions to cooperation between the Conservative and the Pragmatist faction, a more pragmatic approach prevailed. This approach focused on a post Iran-Iraq war economic reconstruction and the country’s reintegration into the international economy. A priority of President Rafsanjani’s foreign policy was to improve relations with the Persian Gulf countries, especially Saudi Arabia, but also with the lately independent states of CEA and Russia;
(3) During Khatami’s presidency (1997 – 2005), Rafsanjani’s foreign policy towards Iran’s neighbors was mainly continued, but also relations with the EU and its member countries were improved. However, even during the presidency of these two presidents, the Islamic ideology, embedded in a nationalist desire to reject any “Westernization” of the country and the Iranian people, still prevailed among some elements of the Iranian political elite.
(4) With the election of Ahmadinejad as president in 2005, some shifts in foreign policy orientation can be noted – away from the pragmatic approach under Rafsanjani and Khatami – to a rhetorically more hostile attitude, especially towards the West and Israel. This has led to great irritations not only from the US but also from the EU, the latter of which aims to establish a constructive dialogue with Iran. The situation has even worsened due to the nuclear issue.

This chapter starts with an overview of the formal process of decision-making in the IRI. Then, it analyzes the foreign policy of the IRI under Ayatollah Khomeini as the Supreme Leader, during the presidency of Rafsanjani and the presidency of Khatami, and finally since the presidency of Ahmadinejad in 2005. This chapter focuses mainly on relations between Iran and its neighbors in the Persian Gulf, Russia, CEA, China, India, and the US. In chapters 6 and 7 Iran-EU relations and relations with individual EU member countries will be discussed.

5.2 Foreign Policy Decision-Making in the Islamic Republic of Iran
The main offices that are responsible for foreign policy in the IRI are the supreme leader, the president, the Council of the Guardian, the foreign minister, the NSC, and the majles. The decision-making process on bills goes from foreign minister, to president, to the NSC, and finally to the supreme leader, who must sign all bills both on

104. The Council of the Guardian makes recommendations and develops guidelines for foreign policy. It ensures that the government’s foreign policy initiatives do not contravene the constitution.
105. The NSC is under control of the president and his staff. It is a key institution where foreign policy is debated. The Supreme Leader has personal representatives at the NSC.
domestic as well as foreign policy issues. This is a rough sketch, as the exact power structure differs, depending on the priorities and the stature of the personalities and composition of factions involved.

An important source for developing foreign policy is the information gathered from abroad via the Iranian embassies, media sources, libraries abroad, individual citizens of other countries, think tanks, individual scholars, as well as the cultural attachés as part of the Islamic Culture and Communications Organization (ICCO), which is an independent body within the government.

Like in all other domains, it is the supreme leader, who has the final say about foreign policy decision-making. He approves or disapproves foreign policy initiatives. Though, since 1989, the president and his office is the main foreign policy making organ in the IRI, foreign policy decisions have always to be made in accordance with the supreme leader. The foreign minister reports directly to the president. Foreign policy initiatives of the foreign ministry are always monitored through the president’s office. The majles may not interfere in the executive foreign policy decision-making process. But the majles discusses foreign policy issues and individual members can make public statements on regional and international issues. The government needs the majles approval to enter into international agreements, treaties, memorandums of understanding etc. This division of competencies, regarding foreign policy issues, has several times provoked disagreement between supreme leader, president, and foreign minister (as will be shown below).

In the IRI the rivalry between different political factions of the political elite on foreign policy is grounded in different geopolitical visions. In general, two main groups of the Iranian political elite with regard to foreign policy orientation/geopolitical visions of the IRI can be distinguished:

(1) The first group is represented mainly by the Conservative faction of the Iranian political elite. It emphasizes the identity of the Islamic revolution and the return to Islamic values. In order to reach these goals, the IRI has to have a good partnership with Islamic countries and the Muslim masses, and also refrain from rapprochement with the US;

(2) The second group represents mainly the Pragmatist and Reformist factions. These factions see Iran as a nation state that has to play a key role in international rela-

106. Interview with Dr. Abbas Maleki, Director of the International Institute for Caspian Studies, 9 November, 2005, Tehran.
107. The ICCO consists of five directorates: publications, communications, cultural logistics, research, and administration and financial affairs. Each of these directorates has several sub-departments. The ICCO has three main objectives: anti-Mujahedin activities, including recruitment of former members of the Mujahedan-e Khalq; penetration of Iranian exile communities abroad through farsi-language radios and other means, recruitment of agents, encouraging Iranians to return to Iran, and infiltrating Iranian associations and groups; recruitment and organization of Radical Islamic forces in Muslim countries, penetration of Muslim communities in Western countries for recruitment. The cultural attachés in embassies abroad are linked to the ICCO.
tions. This group is convinced that international trade and political ties are major tools in safeguarding Iranian national interest. It therefore advocates establishing a good relationship with the West and especially the US.

The Conservative dominated group is more ideologically driven in its foreign policy outlook, while the Pragmatist, and Reformist factions have a pragmatic foreign policy approach. Although the three main political factions agree on certain fundamental principles (independence, equality, a greater role for Iran in international relations), they have, as will be shown in this chapter, different views on how to pursue these goals.

5.3 Foreign Policy in the Period of Khomeini’s Leadership (1979-1989)

Since the establishment of the IRI in 1979, Iran’s foreign policy orientation has undergone a gradual development from isolation towards pragmatism. In the 1980s, foreign policy issues were under Khomeini’s and his office’s responsibility. The two main political factions at that time – the Conservative faction and the Radical Left faction – as well as centers of power of the clerical establishment on many occasions followed their interests by implementing their own foreign policy agendas (Ehteshami 1997: 31).

In the first ten years after the revolution, particularly when the new republic’s main foreign policy guidelines were formulated, the geopolitical vision of the IRI was dominated by two principal guidelines that emerged shortly after the revolution:

The first was summarized in the slogan: “Neither East nor West, but the Islamic Republic;”

The second guideline was the “Export of the Revolution.”

It is not so clear which specific countries were included in “East” or “West.” While, for example, relations with the US were very hostile, they were less so with the former Soviet Union. At the same time, the IRI tried to maintain normal relations with the allies of the two superpowers, such as Western Europe and Japan (Keddie 1990: 6-7). After all, the Islamic revolution was to a certain extent a reaction to the Shah's good relations with the US and his “Westernization” policies. Therefore, the intention of the revolution was not only to resist Western cultural influences, but on the contrary, to put emphasis on Islamic authenticity and identity. The revolutionary legacy in Iran had an important impact on foreign policy formulation.

The Provisional Government under Prime Minister Bazargan interpreted the slogan “Neither East nor West” in its own way. Like Ayatollah Khomeini it promoted the independence of the Iranian state, but in contrast to Khomeini, it supported a slight openness towards the “West” to balance off the “East.” This fact is evident in various documents. On 31 May 1979 the US embassy reported:

“PGOI [the Provisional Government] and Khomeini differ on value of US ties. Khomeini’s open anti-Americanism has sparked increase in anti-American activity” (Muslim Students Following the Imam’s Line, n.d., 15:59).108

108. Cited from papers that were seized from the US Embassy after the hostage tacking in 1979.
The last US ambassador in Tehran, William Sullivan, reported that both Mehdi Bazargan and Abbas Amir-Entezam [the Provisional Government’s spokesperson]\(^{109}\) did not trust the Soviet Union and therefore promoted close ties with the US (Muslim Students Following the Imam’s Line, n.d., 18:25). Prime Minister Bazargan's political philosophy was rooted in the secular nationalist tradition of Iran of former Prime Minister Mosaddeq. It can be considered a more moderate version of the non-alignment policy, trying to avoid too much dependence on any of the great powers (US or Soviet Union) and to have good relations with all, especially neighboring countries (respect and non-interference into the internal affairs of another state). Bazargan, like most Iranian nationalists both secular and Islamic, was cautious towards the Soviet Union. He advocated a good relation with the West to balance off the Soviet Union, particularly because of the latter’s geographical proximity. He also advocated a less activist policy towards the Persian Gulf countries than followed by Mohammad Reza Shah in the 1960s and 1970s, who had aimed at playing a leading role as the region’s “policeman” in Persian Gulf security.\(^{10}\) Bazargan’s policy was similar to that of Shapour Bakhtiar, the last Prime Minister of the Shah at the end of 1978. When Bakhtiar was Prime Minister, Iran withdrew from the Central Treaty Organization (CENTO)\(^{111}\) membership, severed its links with Israel and South Africa and distanced itself from its role as the Persian Gulf’s “policeman.” However, Bazargan’s moderate line was hindered by the activities of a number of revolutionary groups who tried to put through their own policy agendas causing problems in Iran’s relations with other countries. For example, the Radical Left faction was opposed to Bazargan’s policy of good relations with the US. By occupying the US embassy and the hostage taking of US diplomats and other staff, these groups tried to ensure an enduring enmity between Iran and the US and the total retreat of the US from Iranian territory. The seizure of the US embassy, on 4 November 1979, was a reflection of the strong anti-imperialist sentiment of parts of the revolutionaries with great consequences for diplomatic and economic relations of the IRI with the US (Hunter 1992: 109-111);

The new rulers in Iran saw the Iranian revolution as a model that would trigger fur-

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109. In 1981, when Abbas Amir-Entezam served as ambassador of the IRI in Scandinavia he was called back to Iran by a secret message and arrested, being accused of espionage for the US. In 1998, he was released from prison, but three months later rearrested. He is still in prison.

110. At the end of the 1960s, Iran became the local security force for the US in accordance with the so-called Nixon Doctrine of 1969. The Shah even referred to the role of his country as the “gendarme” (policeman) of the US in the Persian Gulf. Based on this relationship the US was, from 1972 until the Islamic revolution, willing to sell it’s most advanced and sophisticated conventional weapons to Iran (Bill 1988: 200-202).

111. The CENTO was founded in 1955 as the Middle East Treaty Organization (METO) or Baghdad Pact by Iraq, Turkey, Pakistan, Iran, and the United Kingdom. It was modelled after the North Atlantic Treaty Organization (NATO) committing its members to cooperation and mutual protection. After the military coup by the Baath Party in Iraq in 1958, Iraq withdrew from the organization which renamed itself CENTO. The organization gradually ceased to exist when Turkey occupied Cyprus leading to a withdrawal of British troops from the region. It finally ended with the Iranian Islamic revolution in 1979.
ther revolutions in other Muslim countries. They sought to advance such revolutions in neighboring countries by rhetoric, financial support, and action (e.g. Iran’s increasing influence in Lebanon through its support of Hezbullah and the annual *hajj* by Iranian pilgrims in Saudi Arabia – see chapter 5.3.1). For the new Iranian leadership Islam was a means for the world’s exploited people to combat the great powers. It accused the West of having exploited the Iranian people and threatened the culture of Iran and all other Muslims for centuries. In his New Year’s message on 21 March 1980 Khomeini declared:

“Dear friends! Be fully aware that the danger represented by the communist powers is no less than that of America: the danger that America poses is so great that if you commit the smallest oversight, you will be destroyed. Both superpowers are intent on destroying the oppressed nations of the world, and it is our duty to defend those nations. We must strive to export our Revolution throughout the world, and must abandon all idea of not doing so, for not only does Islam refuse to recognize any difference between Muslim countries, it is the champion of all oppressed people. Moreover, all the powers are intent on destroying us, and if we remain surrounded in a closed circle, we shall certainly be defeated. We must make plain our stance toward the powers and the superpowers and demonstrate to them that despite the arduous problems that burden us, our attitude to the world is dictated by our beliefs” (Khomeini 1981: 286-287).

During the same New Year’s speech Khomeini declared his support for resistance movements in the Third World:

“Once again, I declare my support for all movements and groups that are fighting to gain liberation from the superpowers of the left and the right. I declare my support for the people of Occupied Palestine and Lebanon. I vehemently condemn once more the savage occupation of Afghanistan by the aggressive plunderers of the East, and I hope that the noble Muslim people of Afghanistan will achieve victory and true independence as soon as possible, and be delivered from the clutches of the so-called champions of the working class” (Khomeini 1981: 287).

However, this guideline of the Export of the Revolution was strongest only in the first ten years after the revolution, and even then not as an ideological or revolutionary pursuit but rather as a survival strategy in the war with Iraq (Bakhash 2001: 248).

Most of the armed groups, which received financial support from Iran during the 1980s, were Shi’ite organizations in opposition to Saddam Hussein in Iraq112 or to other rulers in the Persian Gulf, or active in Lebanon, Afghanistan, and Pakistan (Ehteshami 1995; Roy 1996/1999: 191). Above this, the almost unqualified support of Iraq by the

112. Iran had given much support to Iraqi opposition groups, especially the Supreme Council of the Islamic Revolution in Iraq (SCIRI). Its military wing, the Badr Corps, had about 16,000 members when the US attacked Iraq in 2003 (Taremi 2005: 34).
Arab states and the West played a determining role in Iran’s support of armed groups in the Middle East and beyond. In the 1990s, Iran supported Sunni groups such as the Islamic Salvation Front (FIS) in Algeria, the National Islamic Movement in Sudan, Hamas and Islamic Jihad in Palestine, the Muslim Brotherhood in Jordan, the al-Nahda Party in Tunisia and the Jihad Group in Egypt. Furthermore, they also supported the Muslims in Bosnia in the 1990s and the Islamic MORO Movement in the Philippines in the 1980s (Ehteshami 1997: 30; Taheri 1994). But, surprisingly, Iran did not intervene in the conflict between Russia and Chechnya in the 1990s; although part of the Iranian political elite consider religion an important determinant in foreign policy objectives. This proves that in Iranian foreign policy formulation national interests are of higher priority than ideological/religious ones.

The support of Islamic movements outside Iran was a matter of both conviction and calculation by the Iranian political elite. It was a means to project Iranian power abroad while strengthening its standing at home (Bakhash 2001: 249). It was also a means to strengthen Iran’s position vis-à-vis the US and Israel, who were both hostile to Iran owing to the IRI’s overall foreign policy objectives described above. Relations with the US had already deteriorated in late 1979 due to the hostage crisis. The Export of the Revolution failed due to two main reasons:

1. The mainly Sunni populations in the Persian Gulf states had no interest in following the Iranian Islamic revolution with a Shi’ite background;
2. Iran’s interest in overthrowing other governments declined, due to its own problems, such as the war with Iraq and the domestic economic crisis.

Although the Bazargan government ended after a short period of time, it still took quite a while before the Islamic forces could consolidate their power. Bazargan’s successor, Abolhassan Banisadr, was an Iranian nationalist and liberal Islamist with a clerical background and influenced by European (mainly French) Third World thinking. He followed a more activist non-alignment policy than Bazargan, but like Bazargan he was in favor of maintaining some ties with the West to balance off the Soviet Union (Hunter 1992: 110). In 1981, after the liberal and secular forces of the Iranian political elite had been eliminated (see chapter 2), the Radical Left faction became the dominant faction. The Radical Left faction had yet again its own interpretation of the slogan Neither East nor West. It adopted a very strict isolationist policy towards the West (Behrooz 1990: 19-20).

By 1984, a more pragmatic domestic and foreign policy orientation gradually emerged among the Iranian elite. A major aspect of the necessity to rethink the slogan Neither East nor West was the question of whether the revolution could still be exported by Iran considering the war with Iraq and the country’s great economic problems. Even Ayatollah Khomeini seemed to legitimize this trend, when he stated in a speech to IRI foreign representatives on 28 October 1984:

“The superpowers and the United States thought that Iran […] would be forced into isolation.
That did not happen and Iran’s relations with foreigners increased. Now, they argue that relations with governments are of no use and our relations should be established with the nations [...] This is contrary to wisdom and shari’a. We must have relations with all the governments” (cited in Kayhan 29 October 1984).

Interestingly enough, in a book by Hashemi Rafsanjani published in early 2007, the former president notes that in 1984 Supreme Leader Khomeini was in favor of dropping the slogan “Death to America” which even now is shouted by the public during Friday Prayers or speeches by top political elite members. This announcement comes from a diary entry Hashemi Rafsanjani made on 5 July 1984 after a parliamentary session on the day before:

“Mr. Imam-Mousavi [an MP] came and proposed dropping the slogan Death to America and Death to the Soviet Union. I said we have decided in principle. The Imam [Khomeini] has agreed but we are waiting for a chance” (cited in Tait 20 August 2007).

This news, which was only picked up by local media in August 2007, has been heavily criticized by Conservative media such as the daily newspaper Kayhan. In an editorial note the editor-in-chief Hossein Shariatmadari wrote:

“What he [Rafsanjani] has attributed to Imam Khomeini does not correspond with the collection of Khomeini’s proclaimed stances and his established line [...] The Imam throughout his life called America ‘the Great Satan’. He believed that all the Muslims’ problems were caused by America” (cited in Tait 20 August 2007).

In the mid-1980s, the most prominent supporters of this pragmatic view of rapprochement with the US were Ali Akbar Velayati (Foreign Minister, 1981-1997) and Hashemi Rafsanjani (Speaker of the majles and later president). But also then, this new pragmatic approach to the slogan “Neither East nor West” and the “Export of the Revolution” did not come about without conflict among the members of the Iranian political elite. After the elections to the second majles, Foreign Minister Velayati came under attack from some majles members. Mortaza Razavi, a parliamentarian from Tabriz, criticized Velayati’s loose interpretation of the “Export of the Revolution” and his new approach to the West (in reaction to a visit of West Germany’s Foreign Minister Hans-Dietrich Genscher to Tehran). Another parliamentarian, Hadi Ghaffari, criticized Velayati’s policy and, also that the majles was not involved in formulating the IRI foreign policy (Ettela’at 23 August 1984). A statement distributed in the majles even compared the

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113. The clergy Hadi Ghaffari, also known as the “machine gun mullah,” held a ministerial post during Khomeini’s leadership and was responsible for cooperation with the Lebanese Hezbollah organization (“Pragmatists and Radicals Start post-Khomeini Power Struggle,” Financial Post (Canada), (25 July 1988)). He was president of the militant Iranian Ansar-e Hezbollah (Taheri 1987: 116).
foreign policy of the IRI’s government to those of “pro-Western governments” (IPD 18 September 1984).

The international isolation of Iran during the war with Iraq forced Ayatollah Khomeini to listen to Speaker of Parliament and Commander-in-Chief of the Armed Forces, Hashemi Rafsanjani, and accept United Nations Security Council Resolution (UNSCR) 598 (Moshaver 2003: 289), which called for a cease-fire with Iraq in July 1988, and helped reorient the IRI’s international policy.

5.3.1 Relations with the Middle East

After the Islamic revolution the Persian Gulf countries feared the rhetoric of parts of the Iranian political elite on the “Export of the Revolution” – especially those who had considered Iran as the guarantor of regional stability during the Shah period. Many Arab leaders saw their fears confirmed in the Islamic disturbances in Saudi Arabia in late 1979, particularly in Mecca, where armed Islamists in opposition to the Saudi ruling family occupied the Al-Masjid al-Haram (Sacred Mosque) for several days until security forces ended the occupation (Paul 1980: 3-4). These incidents and the fear of the “Export of the Revolution” caused reactions from the governments of the Persian Gulf countries. Whereby, the governments of the Persian Gulf countries followed calls for greater political participation among their citizens, with the result that in Oman, Saudi Arabia, Qatar, and the UAE consultative assemblies were established. There was a general trend back to the cultural heritage of Islam, through including more Islamic components into the educational systems, and in daily life (e.g. the prohibition of alcohol) but above all a juridical system based on the shari’a (Marschall 2003: 44).

When the war broke out between Iran and Iraq in September 1980, Western countries and the Soviet Union gave Iraq political and military support. The Western countries hoped that Saddam Hussein would be able to save the world from the “fundamentalists in Iran” (Tarock 1999: 43). At the start of the Iran-Iraq war, the Gulf States also supported Iraq logistically and financially, though formally they had declared themselves neutral. They had no interest in ending the war, as they did not consider it a direct threat to their own security. This situation changed when, in May 1982, Iran retook Khorramshahr and entered Iraqi territory. From then on the Gulf States feared the spreading of the war to their own countries. They called for an immediate ceasefire and a compensation for Iran. Supreme Leader Khomeini rejected this proposal (Milani 1996: 86).

Despite these developments and criticism from some parts of the Iranian political elite, from the mid-1980s Iran tried to improve relations with the Gulf States. It seemed that Kuwait and Saudi Arabia were more cautious towards Iran and its friendlier approach than the smaller countries of the Gulf Cooperation Council (GCC). For example, Oman had


115. The GCC was created as a new regional security organization in May 1981, shortly after the Iranian
already established friendlier relations with Iran in the early 1980s (Hooglund 2002: 165).

The already rocky relationship between Iran and Saudi Arabia deteriorated even further in the last two years of the war owing to two incidents: the 1987 *hajj* pilgrimage and the US reflagging Kuwaiti ships. In the first half of the 1980s, Iran sent more than 100,000 pilgrims on the *hajj*. Despite bans by Saudi authorities on political demonstrations, Iranian pilgrims chanted slogans such as “American Islam” or “Death to America, Death to Israel,” referring to the close ties between Saudi Arabia and the US. This caused tensions between Iran and Saudi Arabia (Hooglund 2002: 167). During the 1987 *hajj*, 402 pilgrims and security forces were killed in direct clashes (Marschall 2003: 46). After that, Saudi Arabia reduced the number of Iranian pilgrims admitted to the *hajj*.

The second event that worsened the relationship between Iran and Saudi Arabia was the US reflagging of Kuwaiti ships on 22 July 1987 in reaction to increased attacks by Iran. This action marked a shift in US policy in the Gulf and initiated the internationalization of the Iran-Iraq war. The US now officially sided with the Gulf States, including Iraq, against Iran (Marschall 2003: 88; Hooglund 2002:164).

The relations with the Soviet Union were problematic during the first ten years after the Islamic revolution but improved after the cease-fire with Iraq.

### 5.3.2 Relations with the Soviet Union

The long border Iran had with the Soviet Union and the fact that Iran was an important export outlet of oil and gas to the Persian Gulf gave relations between Iran and Soviet Union great significance in security terms.

In 1970, the two countries signed a fifty-year trade agreement (Madavi 1989: 197). On 12 October 1972, the Iranian Shah and his wife Farah visited Moscow to sign a friendship agreement (Ramazani 1975: 351).

The relationship was, however, limited by Iran’s increasing ideological and political proximity to US interests in the region. Iran played an important role in the US global strategy developed during Nixon’s presidency (1968-1977), thus, complicating the relationship with the Soviet Union.

Islamic revolution. It has six member countries: Saudi Arabia, Kuwait, Oman, Qatar, Bahrain, and the United Arab Emirates (UAE). Political divisions between GCC countries and the fact that Saudi Arabia is the most economically powerful and politically influential member country are obstacles to the GCC’s effectiveness (Bill 1996: 103).

116. In November 1969, President Nixon described the global strategy as follows: “First, the United States will keep all of its treaty commitments. Second, we shall provide a shield if a nuclear power threatens the freedom of a nation allied with us or of a nation whose survival we consider vital to our security. Third, in cases involving other types of aggression, we shall furnish military and economic assistance when requested in accordance with our treaty commitments. But we shall look to the nation directly threatened to assume the primary responsibility of providing the manpower for its defense” (Nixon 1969 cited in in Kuniholm 1992: 320-21).

117. When Britain declared it would retreat its military forces, in 1971, east from the Suez and the Persian Gulf, the US and the Iranian Shah agreed that Iran would take over the role as *gendarme* from Britain. This agreement was based on the two countries’ security interests in the Persian Gulf region.
In the early revolutionary period of 1978, the Soviet Union neither sided with the Shah nor with the Iranian opposition. In late 1978 and early 1979 however, the Soviet Union decided to side with the opposition by stressing that the Iranian opposition was anti-imperialist and the Shah corrupt and a brutal dictator (Sicker 1988: 111). The Soviet invasion into Afghanistan in 1979 was considered as a threat by the Iranian government. Nevertheless during the hostage crisis, when the US and EU member countries were imposing trade sanctions on Iran, the Soviet Union concluded a new economic co-operation agreement with Iran (Khaleej Times 25 and 27 April 1980). During the Iran-Iraq war, when Western countries sided with Iraq, the Soviet Union, though stating its neutrality, sided with Iran arguing that only the US could benefit if Iran and the Soviet Union were hostile to each other (The Guardian 22 March 1980; TASS 30 September 1980).

The Soviet Union halted arms sales to Iraq and offered arms shipments to Iran. Iran, however, was already receiving arms from Soviet allies like Syria, Libya, and North Korea (Sicker 1988: 118). When the Iranian military forces moved into Iraq the Soviet Union restarted arms sales to Iraq (Sick 1987: 709).

Furthermore, the relations between Iran and the Soviet Union were complicated when Britain handed over to Iran documents it had received from the Vice Consul of the Soviet Union in Tehran. These documents detailed the activities of the Soviet intelligence community in Tehran and included the names of members of the Tudeh Party. When Iran had received the documents it immediately arrested the members of the Tudeh party (Sciolino 1983). In May 1983, 18 Soviet diplomats were expelled from Iran (Khalizad 12 May 1983), marking the lowest point in Iran-Soviet relations since the Islamic revolution.

In the mid-1980s, the Iranian government tried to restore relations with the Soviet Union. However, there were contradicting ideas about this relationship. While the Iranian Prime Minister Mir-Hossein Mousavi, was in favor of good relations with the Soviet Union, not least to complete the Isfahan power station (Foreign Broadcasts Information Service, South Asia, 9 July 1985: 14-15), the Parliamentary Speaker, Rafsanjani, preferred the development of cooperation with China and the purchase of Chinese missiles (Foreign Broadcasts Information Service, South Asia, 18 July 1985: 16).

The cease-fire with Iraq, in 1988, gave the Iran-Soviet Union relationship a new impetus. In 1989, Rafsanjani, then still Parliamentary Speaker, went to Baku to sign an economic and trade agreement with the Soviet Union worth US$15 billion. This agreement was meant to start in 1990, with the restart of gas exports from Iran to the Soviet Union, and run for 10 years. This trip was also important for Hashemi Rafsanjani personally, as it took place shortly before the presidential elections of 1989 (Varasteh 1991: 58).

5.3.3. Relations with the United States
The Iranian Islamic revolution came as a surprise to the US, transforming a regional ally of the US into an enemy. The first and most crucial event to complicate Iran-US
relations was the seizure of the US embassy in Tehran in 1979. On 14 November 1979, the organization “Muslim Students following the Imam’s Line” took 53 United States diplomats and staff at the US Embassy in Tehran hostage for 444 days, with backing from the Revolutionary Council. According to Gary Sick (1987: 698-699), the hostage taking was a means to consolidate Khomeini’s power rather than being aimed directly against the US. It, thus, had its origins in internal developments in Iran and less so in US or other Western powers activities.

In a first reaction to the hostage taking the US government suspended military exports to Iran and put a ban on the imports of Iranian oil. There was no embargo on food shipments. During that period, 1979-1980, Iran imported almost 3 million tons of farm products (30 percent of its total needs) from the US. On 15 November 1979, the American Farm Bureau announced that it would support an embargo on food exports to Iran. In the coming months diplomatic relations between Iran and the US worsened and in April 1980 Washington finally imposed a trade embargo on Iran. All imports and exports were banned (except for food and medicine). In 1984 the US imposed new sanctions on Iran under the Arms Export Control Act and the Export Administration Act accusing the country of international terrorism. The Foreign Relations Authorization Act of 1988 and 1989 prohibited the shipment of arms to Iran and the Iran-Iraq Arms non-Proliferation Act of 1992 tightened the various prohibitions on technology transfer to Iran (Amuzegar 1993: 146-47).

In his State of Union speech on 23 January 1980, President Carter had announced the Carter Doctrine.118 The Carter Doctrine was an answer to the Soviet invasion of Afghanistan in December 1979. President Carter stated that the US would use force against anyone who would go against the US interests in the Persian Gulf region.119 Carter had already deployed a small force in Saudi Arabia and the Indian Ocean in January and March 1979. AWACS were stationed in Saudi Arabia as well as B-52 bombers over-flying the Persian Gulf. The US navy stationed twenty-five ships in the Persian Gulf including three aircraft carriers in the Indian Ocean (Palmer 1992: 106-107). By October 1980, the number of warships had gone up to thirty-two (Acharya 1989: 129). This episode was the beginning of direct US military presence in the Persian Gulf.

When Ronald Reagan (1981-1989) took office, the departing President Jimmy Carter had not yet determined a foreign policy strategy towards the IRI, and also President Reagan failed to develop a consistent policy towards Iran. After the hostage taking at the US embassy in Tehran in 1979, the US probably would have preferred to put Iran

119. The first US-led war against Iraq to reverse the invasion and occupation of Kuwait by Iraq (1990-1991), can be considered a direct application of the Doctrine, as reaction to the actions of Saddam Hussein and the potential threat they posed to the security of oil from Kuwait and Saudi Arabia (Bromley 2007: 79).
aside, but as Hooglund (1991: 31-33) states the US could not ignore Iran for four main reasons:

(1) The country was strategically important for access to the Persian Gulf’s oil resources;

(2) It shared a long border with the Soviet Union as well as with Afghanistan, which had been invaded by the Soviets in 1979;

(3) Some US friendly Arab states, particularly Saudi Arabia, complained that the US had not done enough to protect the Shah from the Islamic revolutionaries. They feared that the same could happen to them. The Reagan administration promised to intervene should an Arab ally be threatened by Islamists;

(4) The fourth reason was Lebanon, which after its invasion by Israel in 1982 and US military intervention there, was kept in a sectarian civil war, with Iran playing a prominent role in supporting the Hezbullah organization.

Although relations between Iran and the US had been put on hold after the hostage taking of US embassy staff by Iranian revolutionaries, in the mid-1980s the US was shaken by a great scandal, the so-called “Iran Contra Affair.” 120 In the mid-1980s the US provided Iran, despite the trade embargo, with intelligence briefings on both Iraq and the Soviet Union and some 1,500 TOW missiles and components for its US built Hawk air defense system (Sick 1987: 703). When the US arms sales to Iran were made public, in November 1986, at a time when Saudi Arabia and Kuwait were negotiating with the US on more US military presence in the Persian Gulf, the two countries were greatly astonished to hear about the US arms deals with Iran (Hooglund 1991: 42).

In autumn 1986, Kuwait had asked the US to let part of its tanker fleet run under the American flag to prevent Iranian attacks. The US at first rejected this request (Gamlen 1989: 10-11). When the Soviet Union agreed to assist Kuwait and had also established diplomatic relations with both Oman and the UAE, the US gained the impression that the Soviet Union was increasing its presence in the Persian Gulf and accepted Kuwait’s request (Gamlen 1989: 12-13; Rubin 1987-88: 125). In late 1987, the US also decided to increase its naval presence in the region. By the end of the summer, the US had deployed twenty-eight ships in the Persian Gulf and the Gulf of Oman. This was the greatest US naval presence in the area since World War II (Hooglund 1991: 43).

The end of the Iran-Iraq War did not change the Iran-US relationship. What did change however was the foreign policy orientation in Iran when Hashemi Rafsanjani became President. This had several reasons:

(1) First of all, the end of the Iran-Iraq war changed Iran’s confrontational position towards the West;

(2) The need for foreign capital and technical expertise to carry out economic recon-
struction required the adoption of a more pragmatic foreign policy towards the West. Therefore, Iran's foreign policy in the IRI's second decade was to restore stability at home and in the Persian Gulf, and to reintegrate Iran into the global economy (Tarock 1999: 43).

(3) Other contributing factors were the death of Khomeini in 1989 and (4) The break-up of the Soviet Union in 1991.

5.4 Foreign Policy during Rafsanjani’s Presidency (1989-1997)
The rise of Ayatollah Khamenei to supreme leader and Hashemi Rafsanjani to president determined the formulation of Iran's new policy priorities based on national interest rather than ideology. Additionally, in July 1989, the Iranian constitution was adapted, giving the president more decision-making power. Now Rafsanjani could focus on economic development and post-war reconstruction (Marschall 2003: 101; Roshandel 2000: 130).

The end of the Iran-Iraq War in 1988, the death of Khomeini in 1989, the collapse of the Soviet Union in 1991, and the larger US military presence in the Persian Gulf since the Kuwaiti crisis in 1990-1991, had a major impact on Iran’s basic strategic outlook. President Rafsanjani did not want to continue Khomeini’s foreign policy and also did not promote the “Export of the Revolution.” He considered the slogan counterproductive to solving the IRI’s economic problems. Instead, President Rafsanjani aimed at reconstructing the Iranian economy through cooperation with advanced industrial states and Persian Gulf countries. The foreign policy reorientation during Rafsanjani’s presidency included the establishment of a “Critical Dialogue” with the EU in 1992; active engagement with neighboring states to discuss the crises in Nagorno-Karabakh121, Afghanistan122, and Tajikistan123; and a cautious rapprochement with the Arab Gulf.

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121. During the armed conflict between Azerbaijan and Armenia on Nagorno-Karabakh, Iran was able to reach several short-term cease-fire agreements. Following the negotiations under the sponsorship of the “Minsk Group” of the Organization for Security and Cooperation in Europe (OSCE), in Florida in April 2001, the French head of the Minsk Group, during a visit to Tehran, invited Iran to take part in the negotiations (Tehran Times 26 April 2001: 1). Iran aims to re-establish the status quo in the Caucasus regarding its disputes with Azerbaijan on the division of the Caspian Sea and its concerns regarding the Azerbaijan-Turkey-Israel nexus in the Caspian region (Afrasiabi & Maleki 2003: 258).

122. Iran played a constructive role at the Bonn meeting of the Afghan exiled leadership that led to the post-Taliban regime in Kabul, as well as the opposition Northern Alliance's bloodless takeover of Kabul. Concerning the former, Iran’s observer at the Bonn summit, Mohammad Javad Zarif, was directly asked by US mediators to intervene when the talks stalled at one point (For more information on Iran's policy on Afghanistan after September 11 see Afrasiabi 2002: 15-17).

123. In the Tajik civil war Iran played a decisive role in the reaching of a cease-fire agreement between the warring Tajik factions in Tehran in 1994. In August 1995, Iran hosted a peace summit with Tajikistan’s president, Imomoli Rahimov, and Abdollah Nouri, the leader of Tajikistan’s Islamic Movement. During this meeting both sides agreed to extend the cease-fire. In 1997, Iran participated in preparing the General Agreement on the Establishment of Peace and National Accord and Protocol on Mutual Understanding, which was signed by the President of Tajikistan and the leader of the United Tajik Opposition. Iran also hosted several other peace negotiations, a consultative conference, and two meetings between Rahmanov and Nouri (Kamoulidin & Barnes 2001: 71, 92, Tarock 1997: 185-200).
States, particularly Saudi Arabia as the most powerful GCC and Organization of Oil Exporting Countries (OPEC) member country.

5.4.1 Relations with the Middle East
The security of the Persian Gulf became a top priority of President Rafsanjani’s foreign policy. Iran needed the Persian Gulf countries to assure the free flow of oil. Iran depends on the Persian Gulf for its international trade. Iran’s main ports, through which more than 90 percent of Iranian international trade, including oil export, occurs, are all located on the Persian Gulf (Amirahmadi 1993: 100; Milani 1996: 93). It also needed OPEC to stabilize oil prices to increase its oil revenues (Milani 1994: 335-336), on which Iran depended to carry out the economic reform program. Rafsanjani also hoped that good relations with Persian Gulf countries would increase investments from Arab countries and open up Arab markets for Iranian products. In fact, after the ceasefire, Iran was able to substantially improve its trade relations with its smaller Gulf neighbors, receive investment from Gulf countries, and create a free trade zone on its islands of Kish and Qeshm to attract FDI (Milani 1996: 91).

The improved relations between Iran and Persian Gulf countries were evident during the GCC December 1990 summit in Qatar, when the organization declared that it would welcome future cooperation with Iran and the country’s participation in regional security arrangements (Ramazani 1992).

It is interesting to note that the regional policies of Iran during Rafsanjani’s presidency resembled the policy of the Shah in the 1960s and 1970s, especially stressing Iran’s role as a major power in the Persian Gulf region.

In November 1991, Rafsanjani suggested a joint regional market for economic and technical cooperation between GCC countries and Iran, which could possibly lead to a comprehensive security arrangement (FBIS/NES/55 14 November 1991). All political factions among the Iranian political elite supported the idea of a regional security arrangement. They even considered the possible inclusion of the US into such an arrangement in the future. One of the principal figures involved in these discussions was Mohammad Javad Larijani (Marschall 2003: 171), then a member of the majles, now Director of the Institute for Studies in Theoretical Physics and Mathematics in Tehran. He is also the brother of Ali Larijani, who was head of the SNSC until his resignation on 20 October 2007.

The improved relations between Iran and GCC countries during and after the Gulf crisis in 1990-1991, and the possible integration of Iran into a regional security arrangement discussed during the GCC summit in Qatar, raised Iran’s hope of becoming an active party in Persian Gulf security. But it soon became obvious that the GCC preferred the presence of foreign forces in the Persian Gulf to a regional security arrangement. In February 1991, the six GCC countries, plus Syria and Egypt met in Cairo to discuss the possibility of establishing an organization for economic, political, and security cooperation and coordination (Egypt Ministry of Information, State Information Service March 1991: 15). One month later, the “six-plus-two” signed the Damascus Declara-
tion, according to which Syrian and Egyptian troops were to be stationed in the Gulf in return for US$10 billion (Milani 1994: 344). Cairo, in particular, was opposed to Iran’s active role in a regional security arrangement (The Independent 21 February 1991).

The Iranian political elite objected to its exclusion from the security debate and were very disappointed with the Damascus Declaration, especially Egypt’s role in it (Gargash 1996: 144). Syrian President Hafiz Asad assured the Iranian Foreign Minister Velayati that Iran would play an important role in a post-Gulf War security order. Even President George Bush stated that Iran was an important power and should not be treated as an enemy by Persian Gulf countries (Keesing’s March 1991: 38119). Sultan Qabus of Oman, Head of the GCC committee for regional security arrangements, told Foreign Minister Velayati, a collective security arrangement should first include the GCC countries and later all Gulf countries (FBIS/NES/10 19 March 1991). Oman favored a regional security arrangement including Iran, probably as a counterweight to Saudi Arabia. During a visit to Tehran in March 1992, Omani Foreign Minister Yusuf bin Alawi bin Abdullah talked about the possibility of giving Iran a consultative role in establishing a regional security arrangement (Gulf News 10 March 1992).

Already in May 1991, the Damascus Declaration had ceased to exist and Egypt began withdrawing troops from Saudi Arabia and Kuwait. GCC countries then relied on Western military protection (Marschall 2003: 117). Negotiations to include Iran in a regional security arrangement most likely failed because of the four following reasons:

1. GCC countries feared Iran’s possible aspirations to becoming a dominant regional actor;
2. The active opposition of the US to include Iran in such an arrangement;
3. The different priorities of the Gulf states and their disagreement on a common threat made a collective security agreement impossible;
4. The regional crisis that broke out in 1992 over three small but strategically important islands overlooking the Straits of Hormuz.

In 1992, a series of counter accusations from Iran and the UAE, over the ownership of the islands Abu Musa and Greater and Lesser Tunb, began after Iran had, in April and August 1992, expelled and denied entry to non-UAE citizens working on the jointly administered Abu Musa Island (Marschall 2003: 121). Until now the conflict has not been resolved.

124. In 1978, Egypt and Israel signed the Camp David Accord, according to which Egypt accepted the existence of an Israel state and autonomy for the Palestinian areas. Many Arab countries were furious about Egypt’s part in the Accord and withdrew from relations with the country. The Camp David Accord was an important obstacle to improve relations between Iran and Egypt.

125. The dispute over the islands dates back to the end of the 19th century when Britain, in 1887, took over the islands against Iran’s claim that they were under its jurisdiction. When the British left the Persian Gulf region in 1971 the two countries agreed Iran would share sovereignty over Abu Musa with Sharjah, and have sole sovereignty over the two other islands. Iran accepted the formation of the UAE and the independence of Bahrain in May 1970, but expected that in return it would get complete control of the islands (Milani 1996: 97).
After the Abu Musa crisis, the Persian Gulf countries turned towards the US for military protection. Each country searched unilaterally for its own security. A series of defense agreements were signed with the US; the first country to sign one was Kuwait in September 1991 (Bashir and Wright 1992: 110). The US not only sold huge amounts of modern weapons to GCC countries, but also signed bilateral agreements that allowed the US to use their waters and carry out joint military training exercises (Milani 1996: 94). Iran felt threatened by the security agreements signed between Persian Gulf countries and the US. Deputy Foreign Minister Besharati stated:

“Our neighbors, one after the other, are signing defense agreements with Western countries. So why should we not buy military hardware” (Kayhan 3 December 1992)?

GCC countries, except for Kuwait, agreed that the US should not be permanently based in the region, but they did want them to remain engaged in the Persian Gulf in case of emergency (Katzman 1993: 199).

During a meeting of the Organization of Islamic Conference (OIC), in early December 1997, the IRI obtained the presidency of the OIC thanks to the support of Saudi Arabia. The participation of Saudi Arabia’s King Abdullah in the Tehran meeting itself was considered a success in the rapprochement between the two countries. In February and March 1998 former President Rafsanjani visited Saudi Arabia. He was received by the King and the Crown Prince and spent 15 days there. Two weeks earlier, this honorary reception had been denied to US Secretary of State Madeleine Albright when she visited Saudi Arabia. The rapprochement policy between the two countries reached its peak in May 1999 during President Khatami’s visit to Saudi Arabia (Reissner 1999: 47-49; Marschall 2003: 144). President Khatami’s visit was made possible because of economic problems for both countries, due to the decline of oil prices to below US$13 per barrel. Iran and Saudi Arabia discussed the stabilization of oil prices, an agreement related to oil production and output, and decreasing the negative effects of oil price fluctuations through cooperation in OPEC (Marschall 2003: 144-45).

5.4.2 Relations with Central Eurasia and Russia

The deterioration of Iran’s relations with GCC countries during 1992, when no consensus could be found regarding a regional security arrangement, coincided with the disintegration of the Soviet Union, which made a reorientation of Iran’s foreign policy pos-
sible. Now, according to Ramazani, the slogan “Neither East nor West” was replaced by “Both North and South” (Ramazani 1992: 393), or a so-called “de-Arabization” of Iran’s foreign policy (Marschall 2003).

From the Iranian point of view, a regional security arrangement was no longer limited solely to Persian Gulf countries, but also included the former Soviet republics of CEA. Iranian policy-makers stated that Iran should no longer focus on Persian Gulf countries, if the latter were not willing to give up their American orientation. Iran should rather stress the importance of countries such as India, Pakistan, Afghanistan, CEA, and China, which were more sympathetic to Iran (Marschall 2003: 119). The so-called “de-Arabization” of Iran’s foreign policy developed in reaction to US policy in the Persian Gulf and the Arab-Israeli peace process that started in October 1991. Some Iranian intellectuals and technocrats in the foreign ministry, as well as President Rafsanjani, promoted this principle. Supreme Leader Khamenei, in contrast, supported a trend that called for a stronger Arabization of Iranian foreign policy (Marschall 2003: 118). The Rafsanjani government tried to find a balance between these two views and promoted Iran as a bridge between the Persian Gulf and CEA.

The disintegration of the Soviet Union in 1991 was of great geopolitical importance for Iran. While roads to CEA and Europe had been totally blocked during the Soviet era, since 1991 the door towards Europe has been reopened (Nahavandi 1996: 2). Iran recognized the independence of CEA countries in 1991, hoping it could profit economically by re-establishing good relations. President Rafsanjani repeatedly declared that with the independence of CEA states, a new “economic trade center” had emerged. Similarly, Iran is a major link for CEA countries to international markets. In addition to bilateral and multilateral transport agreements between Iran and CEA countries, the Economic Cooperation Organization (ECO) is a forum for regional cooperation. Trade, transport, energy, and industrial/agricultural cooperation constitute ECO’s core priority areas. Since 1993, ECO members have concluded cooperative agreements on transport, transit trade, and the simplification of visa procedures, anti-smuggling measures, and customs fraud. Despite these many agreements, ECO’s record in promoting regional trade is not very impressive. To promote trade integration, ECO member countries have to overcome a variety of problems, the most important of which is the absence of a dense network of transportation links, e.g. to export oil and gas resources to world markets, and limited financial resources.

Iran’s position as a strategic player in the global oil business has increased. Iran is

128. ECO was first established in 1977 by Iran, Turkey, and Pakistan as Regional Cooperation and Development (RCD). The organization survived until the Iranian Islamic revolution in 1979. In 1985, the organization was re-established as ECO. ECO’s breakthrough took place in 1992 at the Tehran Summit, which paved the way for the expansion of the organization from three to ten members, including Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan, and Afghanistan. ECO is a large economic cooperation organization. Its member states together have a population of 300 million and cover an area of seven million square kilometers. See also the organization’s website http://www.ecosecretariat.org.
one of the five Caspian littoral states and is thus a strategic link between the Persian Gulf and the Caspian region (Ghezelbash 2005: 25-26; Rakel 2004/2005), which increases the value of cooperating with it. With oil demands rising in East Asia, in general, and in China, in particular, Iran tries to strengthen its position not only among regional producer countries but also in world oil markets. At times, it might even set the main consumers – the US, the EU, and China – against each other.

Iran's chief foreign policy aim in CEA has been to prevent the US from filling the vacuum that was left in CEA after 1991. Iran knows that it would not be able to fill this vacuum by itself and, therefore, has played what Roy has called the “Russian card” (Roy 1998) on a North-South strategic axis (Moscow-Yerevan-Tehran) in opposition to the East-West strategic axis (Washington-Ankara-Baku-Tashkent). This strategic double axis is obvious in the competition between various existing and proposed oil pipelines: East-West pipelines for the US (Baku-Tbli-Ceyhan Pipeline), and North-East pipelines for Russia and Iran (Baku-Novorossiysk-Caspian Pipeline Consortium connections with Iranian networks to the Persian Gulf). A third axis includes China and India to the east, with the recently (December 2005) completed Kazakhstan-China pipeline\textsuperscript{129}, the planned Turkmenistan-Afghanistan-Pakistan (TAP) gas pipeline, and the Iran-Pakistan-India (IPI) gas pipeline project. The US opposition to a more active involvement of Iran in CEA has hampered the strengthening of ties between Iran and the region. Another important obstacle is the not yet settled dispute over the legal regime of the Caspian Sea.\textsuperscript{130}

A factor that could complicate Iran’s contacts with the other four Caspian littoral states is its relations with Azerbaijan. The establishment of the Republic of Azerbaijan in 1991 stimulated Azerbaijani in Iran to identify with the Azerbaijani ethnic group, but not necessarily with the new state itself. While an increasing expression of Azerbaijani identity can be noted in Iran since the 1990s only a few have demanded a secession of the Azerbaijani provinces from Iran and the joining of the Republic of Azerbaijan\textsuperscript{131}. Rather, Azerbaijani demand more cultural rights within Iran, as they did during the Constitutional and the Islamic revolutions. The emergence of the Republic of Azerbai-

\textsuperscript{129} The pipeline was inaugurated in July 2006. It connects Atasu in northern Kazakhstan with Alashakou in Xinjiang and has a length of 620 miles. In July 2006, China began receiving crude oil imports from its first transnational oil pipeline. The pipeline was constructed by the Chinese National Petroleum Company and Kazakhstan’s KazTransOil. The pipeline has a capacity of transporting 200,000 bbl/d of crude oil, and possibly 400,000 bbl/d by 2010. Of the imported oil 50 percent come from Russia and 50 percent from Kazakhstan (EIA August 2006).

\textsuperscript{130} On the pipeline and Caspian legal regime disputes, see Amineh 2003: chs. 9 and 10.

\textsuperscript{131} From the 6th century BCE Azerbaijan had mainly been ruled by Persian Empires. From the early 19th century, intense military, diplomatic, and economic pressure began to be exerted on Azerbaijan by the Russians. After two wars with the Persian Qajar Empire, in 1828 Azerbaijan was divided between the Russian and the Persian Empires according to the Treaty of Turkmanchay. Based on this treaty-what is present-day Republic of Azerbaijan- became part of the Russian Empire and the rest remained within the Persian Empire. The Treaty of Turkmanchay completed the present-day division of political separation of the Azerbaijani.
The Iranian political elite, however, has had great influence on the relations between the Republic of Azerbaijan and Iran, and Iran’s policy in the Caucasus. Iran fears that the emergence of a strong Republic of Azerbaijan could have a great effect on the rise of identity politics of its own Azerbaijani population. This fear, for example, has led to Iran’s support of Armenia in the conflict of Nagorno-Karabakh. In 1992, the Iranian government decided to split East Azerbaijan province and create a new province in the Ardabil area. The names Salaban, Sahand, and Ardabil were suggested for this new province. Many Azerbaijani objected to giving up the name Azerbaijan for this territory, even those who are part of the ruling elite in Iran and, thus, have a strong identification with Iran. In the end, the government prevailed and in April 1993 the new province was named Ardabil Province (Rakel 2004).

5.4.3 Relations with the United States
Three factors play an important role in US policy towards Iran since the end of the Cold War:

1. The US is interested in safeguarding access to reliable oil and gas sources for Europe, Japan, and others countries, especially since rapidly industrializing China and India have become competitors for exactly these resources (Amineh and Houweling 2004/2005: 90-92);

2. The US objects to the construction of any oil or gas pipeline from the Caspian region that would transit Iran, to prevent an Iran, Russia, and China strategic alliance (Amineh and Houweling 2004/2005: 209-213);

3. The relations between the US and Israel have great influence on policy-making in Washington. In addition, other issues such as terrorism, the Middle East Peace Process, and weapons of mass destruction (WMD) play a role.

In 1992, the US Administration passed the Iran Non-Proliferation Act, followed by the Iran-Libya Sanctions Act (ILSA) in 1995, that prohibited even non-US companies from investing in the Iranian and Libyan oil and gas sector (Karbassian 2000: 632). President George W. Bush extended the law in 2001 until 2006, punishing those oil companies that would spend US$20 million or more in Iran or Libya (Lorenzetti 2002). On 30 September 2006, President George W. Bush signed the extension of the law until 31 December 2011. Since 2006 it has changed its name to Iran Sanctions Act (ISA) (Katzman 25 January 2007: 4). When introducing the sanctions the US aim was to isolate Iran, keep it from the acquisition of nuclear weapons, influence the Arab-I-

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133. The ILSA imposed sanctions on non-United States companies investing more than US$40 million annually in the Iranian and Libyan oil and gas sectors. The amount dropped to US$20 million one year after enactment for those countries that did not undertake measures against Iran’s actions in supporting international terrorism and pursuit of weapons of mass destruction, such as the imposition of sanctions for a minimum of 2 years.
raeli peace process, and demand it stop supporting international terrorism.\textsuperscript{134} The EU refusal to follow the US in its sanctions provoked a crisis in the relations between the US and the EU (see chapter 7.3).\textsuperscript{135}

President Clinton defended the sanctions as follows:

“You cannot do business with countries that practice commerce with you by day, while funding or protecting terrorists who will kill you or your innocent civilians by the night” (quoted in the Guardian Weekly 11 August 1996).

While the Clinton Administration (1993-2001) seemed to be more flexible towards Iran than other administrations, its general policy towards Iran did not change\textsuperscript{136}. The US kept its sanctions on Iran, blocked Iran's access to international financial institutions, and put pressure on Europe, Russia, and other countries with regard to tighter economic relations with Iran.

President Clinton established America's Persian Gulf policy almost immediately upon assuming office. During its first year, his administration issued numerous policy objectives culminating, on 18 May 1993, in the “dual containment” policy towards Iran and Iraq (Lenczowski 1994: 52). The objective of “dual containment” was to isolate these regimes politically, economically, and militarily. The dual containment was related to three events:

1. The end of the Cold War allowed the US to pursue a more discriminatory policy; previously, Iran and Iraq were used by the two superpowers as allies, with the Iraqi regime leaning toward the Soviets and Iran (until the Islamic revolution) toward the US;
2. The Palestine-Israeli conflict and Iranian support for Hamas and Hezbullah in Lebanon;
3. The political outcome of the war against Iraq over Kuwait; although the war was a clear military victory for coalition forces, its political aftermath was considered a failure by many observers because Saddam Hussein remained in power;

For Iran the invasion of Kuwait by Iraq, on 2 August 1990, marked a major change in the relationship between Iran and all Gulf states. Instead of Iran, now Iraq was the immediate threat to the security and integrity of Persian Gulf countries. Iran was the


\textsuperscript{135} See also Rudolf, P. \textit{Konflikt oder Koordination? Die USA, Iran und die Deutsch-Amerikanischen Beziehungen}, (Ebenhausen: Stiftung Wissenschaft und Politik, 1996), 18f.

\textsuperscript{136} During the Clinton Administration some minor trade concessions were allowed such as the import of Iranian pistachio nuts and carpets. At that time US Secretary of State Madeleine Albright also acknowledged US involvement in the 1953 military coup against Prime Minister Mohammad Mosaddeq (Gasiorowski and Byrne 2004).
first Persian Gulf country to condemn the invasion (Mohtashem 1993; Milani 1996: 92; Quilliam 2003: 41). Thus, in 1990, Iran stood on the side of the West and Kuwait against Iraq. As Iran declared its neutrality during the Kuwait crisis and the war, and even suggested mediating the conflict, other Persian Gulf states became more willing to cooperate with Iran.

There was great opposition to Rafsanjani’s policy among the Iranian political elite, some of whom wanted to support Iraq in the conflict with the US, among them Ahmad Khomeini, the son of Ayatollah Khomeini. He stated that the US only wanted to dominate the Persian Gulf region through stationing its troops there and if it did, Iran would react with its revolutionary troops (Marschall 2003: 108). Both former Interior Minister Ali Akbar Mohtashami and Supreme Leader Khamenei called for a jihad (holy war) against the US (The Times 28 September 1990; FBIS/NES/52 13 September 1990). Rafsanjani warned allying with Iraq could backfire on Iran or would be “suicide” for Iran. He argued that the great military build-up of the US in the Persian Gulf region could also be turned against Iran (International Herald Tribune 21 January 1991; Middle East International 25 January 1991; Keesing’s, January 1991: 37942). Marschall explains that Khamenei’s position on this issue could be seen as a means to deprive the Radical Left faction, calling for a confrontational policy towards the US, of the possibility to attack the government. She, however, believes that he rather aimed at strengthening his own position as spiritual leader (Marschall 2003: 108-09).

A consequence of the invasion of Kuwait by Iraq was a late capitulation of Iraq to Iran with regard to their war in 1980-1988. Iraq accepted the full implementation of the Security Council Resolution (SCR) 598 agreement and the Algiers Agreement of 1975 on their border dispute. In December 1991 the UN Secretary General, Perez de Cuellar, made clear that Iraq had been the aggressor in the Iran-Iraq war. In a note to Rafsanjani, Saddam Hussein wrote:

“Now that you have gotten everything that you have asked for, we must work together to expel the foreign troops” (cited in Milani 1996: 92).

President Rafsanjani accepted this peace offer, but rejected any collaboration with Iraq.

In general, it can be said that Iran’s foreign policy under Rafsanjani remained Islamist-based, non-aligned, and pro-South. Iran’s change in diplomatic policy was related to its devastating economic and military situation, but not to an overall reorientation in geopolitical culture. Rafsanjani no longer promoted the two main principles of the Islamic revolution “Neither East nor West” and the “Export of the Revolution” and was able to improve relations with the Persian Gulf states and the EU.

However, the domestic struggle for power among the Iranian political elite and, especially, the influence of the Conservative faction on foreign policy formulation in Iran hampered an overall foreign policy reform. The continued primacy of revolutionary pas-
sions among some members of the Iranian political elite prevented a fundamental break with Khomeini’s “Export of the Revolution.” Therefore, substantive revisions of Iran’s foreign policy orientation did not take place before the Reformist, Mohammad Khatami, was elected president in 1997. President Khatami had greater popular domestic legitimacy and acceptance abroad than President Rafsanjani had. But President Rafsanjani also left a clear list of priorities for the incoming president: stability in the Persian Gulf region, reintegration of Iran into the global economy, and the active participation of Iran in global and regional organizations such as the UN, the OIC, and the ECO.

5.5 Foreign Policy during Khatami’s Presidency (1997-2005)
Mohammad Khatami, as a protagonist of the Reformist faction, was first elected in 1997, because he focused on domestic issues (the popular longings for socio-political changes) instead of foreign policy propaganda. Under Khatami foreign policy was no longer used to cover up the economic crisis at home, but rather as a means to address domestic political problems (Chubin 2002: 18). President Khatami added a democratic dimension to the IRI’s geopolitical culture and its foreign policy orientation. Though his electoral campaign focused on political and economic reform and not on foreign policy, it can be said that this reform program had also important foreign policy implications. His promotion of “civil society,” “the rule of law,” and other basic principles of a democratic political system were accompanied by an urge to reintegrate Iran into the international system. This implied, as Ramazani sees it that for President Khatami democracy in Iran and peace with the international community “were two sides of the same coin” (Ramazani Spring 1998).

Despite their somewhat varying visions of Iran’s domestic politics, the Reformists and the Conservatives do not have totally different concepts of the country’s foreign policy priorities. The Reformists do not enter into debate with the Conservatives on such delicate and interrelated issues as weapons of mass destruction (WMD), terrorism, and the Israel-Palestine conflict. They do differ on how to achieve their goals. The Conservatives are preoccupied with using foreign policy to preserve and even strengthen the political regime without allowing the Reformist faction to pluck the fruits of this policy. The Reformists, meanwhile, are mainly concerned with using foreign policy to improve the country’s position in the global economy and to implement domestic reforms (Chubin 2002: 22).

President Khatami’s foreign policy focused on the expansion of trade, co-operative security measures, and diplomatic dialogue to bring about economic development and put Iran back as an active actor in international affairs (Chubin 2002: 17). Although, during his presidency, he has had many difficulties at home to put through his policies, it can be claimed that President Khatami was quite successful internationally. President Khatami expanded and intensified relations with Russia, China, the EU and its member states, and the countries in the Persian Gulf area. He even ceased tensions between Iran and the US until President George W. Bush included the country to his “axis of evil” in 2001 (Tarock 2002).
5.5.1 Relations with the Middle East

Like former President Rafsanjani, President Khatami realized that his country needed good relations with Persian Gulf countries, especially with Saudi Arabia, in order to encourage regional peace and stability, a common policy in OPEC, investment by Gulf countries, keeping Iraq under control, and improving relations with Western countries (Marschall 2003: 142).

Following former President Rafsanjani, Iran’s main foreign policy strategy under President Khatami was to establish friendlier relations with the Arab states of the Persian Gulf. On his first foreign travel in 1997, Iran’s Foreign Minister Kamal Kharrazi went to several GCC capitals in anticipation of the OIC summit in Tehran in December 1997 (Baker Institute 1998).

The OIC summit was important for Iran for at least two reasons:

1. The date of the summit was at a time when many Arab countries expressed their disappointment with the lack of progress in implementing the Oslo Peace Accords137 between the Palestinians and the Israelis. Even Egypt and Saudi Arabia – the most pro-western countries among them – accused the US of not putting enough pressure on Israel to speed up the peace process;

2. It gave Iran the opportunity to present itself in a friendly manner to the Gulf countries, after years of tension. Very important for the summit was that the Emir of Kuwait and Crown Prince Abdullah of Saudi Arabia participated in it (Tarock 2002). Crown Prince Abdullah praised President Khatami and Iran’s historic contribution to civilization (Baker Institute 1998). After the summit, former President Rafsanjani spent two weeks in Saudi Arabia and said upon his return that a “mountain of ice” had melted between Iran and Saudi Arabia. President Khatami visited Riyadh in mid-May 1999.

A possible manifestation of the improved relationship between Iran and Saudi Arabia was the latter’s rejection of US accusations of Iranian involvement in the bombing of US military housing, at al-Khobar in Saudi Arabia in 1996, which killed 19 American servicemen and wounded 370 others (Tarock 2002). Furthermore, the two countries created a joint cooperation commission and expressed their interest in promoting private sector activities in their countries. Iran also lifted visa requirements for Saudi citizens visiting its country (Baker Institute 1998). Saudi Arabia realized that it is not Shi’ite Islamic groups supported by Iran that threatened its political stability – one of the reasons why Saudi Arabia supported Iraq in the war against Iran – but domestic Sunni radical Islamist groups. Although parts of the Iranian political elite give support to Hezbollah and Hamas, Iran feels equally threatened by transnational radical Islamist organizations, such as al-Qaeda (Kraig 2006: 93-94).

137. The Declaration of Principles on Interim Self-Government Arrangements or Declaration of Principles (DOP), or Oslo Peace Accords were finalized in Oslo on 20 August 1993 and signed in Washington on 13 September of the same year. The Accords foresaw a withdrawal of Israeli military from parts of the Gaza Strip and West Bank and declared Palestinian right of self-government in these areas through the creation of a Palestinian Authority.
Though relations with Saudi Arabia seem to have improved, potential tensions remain, such as the still unresolved dispute between Iran and the UAE over the ownership of the Abu Musa and Greater and Lesser Tunb Islands.

The wars in Afghanistan and in Iraq have also had important affects on Iran. Though the Iranian government welcomed the overthrowing of the Taliban regime and Saddam Hussein, it had warned the UN Security Council already, before the war in Iraq, about its possible consequences:

“We all have an idea of the unparallel disaster that a possible war could bring about. The humanitarian crisis in Iraq and in the neighborhood countries might take catastrophic dimensions. The threat of disintegration of Iraq and instability in the region is significant. The fact that extremism stands to benefit from the cost of a war is undeniable.”

Historically, Iran always considered stability in the Persian Gulf region as vital to its own security. It therefore played a prominent role as a mediator in the civil war in Tajikistan, and post-war political stabilization in Afghanistan, especially in the Bonn Conference in November 2001. This was also true for Iraq. Though Iran opposed US invasion in Iraq, it was the first country to recognize the post-war Iraqi Governing Council. Since then it has had good relations with the Iraqi government (Ghosh 25 August 2006; Knickmeyer 4 October 2006).

Another important issue with regard to regional security is the WMD problem. The Iranian political elite are aware that from a strategic point of view WMD does neither safeguard security at home nor abroad. Supreme Leader Khamenei even issued a fatwa (religious decree) against the production, stockpiling, and usage of WMD (Kayhan 6 November 2004).

5.5.2 Relations with Russia, China, and India

Since the disintegration of the Soviet Union, Russia has allied with Iran in economic, political, military, and nuclear domains. Russia sees its alliance with Iran as a counterbalance to the expansion of the North Atlantic Treaty Organization (NATO) towards the East and the South, to Western efforts to control regional energy resources, and to the activities of Turkey in CEA (Vishniakov 1999). Russia needed Iran as an ally to deal with various regional social upheavals, such as in Tajikistan and Nagorno Karabakh (Amineh 2003: 293). Russian arms deliveries (conventional and nuclear technology) to Iran are central to the alliance, as few countries are currently willing to sell arms to Iran. Besides China, Russia is one of Iran’s most important weapons suppliers (Cohen 2001).
Shortly after Vladimir Putin had become President in Russia, in October 2000, he unilaterally annulled the secret Gore-Chernomyrdin accord of 1995. In this accord between the US and Russia, Russia had agreed to limit its atomic energy and military assistance to Iran. The Russian government then restarted the completion of the nuclear reactor at Bushehr, which had been put on hold during Yeltsin’s presidency. Putin also promised Russia would support Iran’s argument on the peaceful purpose of its nuclear program (Katz 2006: 125). In July 2002, Russia and Iran started a ten-year project for cooperation in business, industry, science, and technology, as well as the construction of nuclear energy facilities worth US$8.5 billion; the latter was heavily criticized in the world, especially by the US (Vinnitskiy 2002: 16).

When the Mujahedin-e Khalq organization, in 2002, accused Iran of developing a secret nuclear program, the Putin government suggested Russia could supply the enriched uranium for Bushehr and reprocess the spent fuel from it (Leskov 2005). On the one hand, Russia hoped by this move it could cool down US aversion against Iran’s nuclear program. On the other hand, it is in the interest of Russia to remain an important economic partner for Iran and, thus, prevent one day Russia losing its position, at the cost of improved relations between Iran and the US (Katz 2006: 126).

Another interesting development is the Shanghai Cooperation Organization (SCO), which has developed into an important global political, economic, and security organization. Established on 14 June 2001, its six permanent members are China, Russia, Kazakhstan, Kyrgyzstan, Tajikistan, and Uzbekistan. India, Iran, Mongolia, and Pakistan have observer status in the organization. SCO was first established as a security organization to fight terrorism, but more recently has also set economic goals such as the establishment of a free trade area among its member countries and cooperation in the energy sector. At the SCO summit of June 2006 in Shanghai, it was expected that Iran would become a full member of the organization. But concerns about Iran’s nuclear program by the US and Europe have put Iran’s inclusion as a full member temporarily on hold. The fact that the SCO has included energy as one of its priorities makes Iran, due to its huge oil and gas reserves, an attractive potential member. The inclusion of Iran into the organization could have an important impact on the global energy arena (Brummer 2007: 185-186). It would also be a clear political statement on the part of Russia and China siding with Iran in its conflict with the West.

Furthermore, China and Russia fear that in its attempt at regime change, the US could strengthen US dominance in the region and establish a political regime in Iran friendly to it, to expand regional domination. Both Russia and China want to prevent such a development in order not to be excluded from access to the country’s oil and gas reserves. The inclusion of Iran into the SCO would undermine US dominance in the Persian Gulf and increase SCO

140. The SCO emerged out of the Shanghai 5 organization created on 26 April 1996 to deepen military cooperation between China, Kazakhstan, Kyrgyzstan, Tajikistan, and Russia. In 2001 Uzbekistan was admitted to the Shanghai 5 turning it into the Shanghai 6 and in the same year transformed into the SCO. See also the SCO website http://www.sectsco.org/
influence in the region and the whole Middle East and CEA at large (Brummer 2007: 190). On the part of Iran, membership in the SCO would expand its international political and economic possibilities. It would grant access to SCO projects and, therewith, to technology, investment, trade, and infrastructure development. The sanctions on Iran imposed by the US could also be undermined by Iran-SCO cooperation (Brummer 2007: 192).

Iran is also strengthening its ties with China bilaterally. In the last decade, China’s economic growth has rapidly increased its energy needs. Recently, China has surpassed Japan as the world’s second largest oil consumer behind the US. Although the country is trying to increase domestic production, oil imports will comprise almost 70 percent of the country’s oil consumption by 2025. China’s policy to secure its energy supply brings it into confrontation with the US, which accounts for one-quarter of global energy consumption. Sixty percent of China’s oil imports already come from the Persian Gulf. In 2003, Iran was China’s second largest oil supplier, providing 14 percent of total imports, while China – despite having signed international agreements prohibiting the proliferation of technologies – was Iran’s main supplier of dual-use technology that can be used for making nuclear, chemical, and biological weapons (Amineh 2005: 6). China is investing much in Iran’s energy sector. In 2004, the Chinese state owned oil-trading company, Zhuhai Zhenrong, signed a twenty-five year contract to import 110 million tons of liquefied natural gas (LNG) from Iran (Renfeng 9 November 2004).

In the same year another Chinese company, SINOPEC, signed a deal with Iran with an estimated value of US$70 billion to import a further 250 million tons of LNG from Iran’s Yadavaran oil field over the next 25 years. The Yadavaran field will, furthermore, provide China with 150,000 bbl/d of crude oil over the same period (China Daily 31 October 2004; Energy Bulletin 30 October 2004). It has to be expected that relations between these two countries will intensify immensely, primarily because of China’s energy needs and Iran’s increasing hunger for consumer goods.

This is also true for Iran’s relations with India. As Mudiam (2007: 411, 412) argues, Iran and India have similar political interests, strategic outlook, and economic objectives. This has been the case particularly since the end of the Cold War. Both are suspicious of the increasing US military involvement in the Middle East and CEA, and want to ensure that no single power dominates the region. Iran, as a supplier, and India, as a customer, have also complementary interests in the energy sector. They are both key players in Asian energy security and would benefit from a long-term partnership in the energy sector.

In January 2005, India signed a US$40 billion deal with the National Iranian Oil Company (NIOC). Iran will ship 5 million tones of LNG annually to India for a period of 25 years. India’s ONGC Videsh Ltd (OVL) will get a 20 percent share in the development of Iran’s biggest onshore oilfield, Yadavaran, which is operated by China with a share of 50 percent in the field. Iran has the remaining 30 percent in the field (Bhadrukumar 11 January 2005).

To continue its economic development plans, India will need to import more energy and Iran could be a secure source of oil and gas. Being confronted with economic sanctions imposed by the US, Iran needs other economic partners to keep its access to the energy market. The planned Iran-Pakistan-India (IPI) pipeline is an important step in this direction (Behera 2005). The plans for the IPI were started in 1994. The pipeline is supposed to have a length of 1,700 miles and transport 2.8 Bcf/d of natural gas from the South Pars fields in Iran to Gujarat in India. Though both countries have great interests in the construction of the pipeline, the construction has been delayed. India demands security guarantees from Islamabad for any pipeline crossing Pakistan. In December 2006, the three countries could not agree on the price of gas. Iran has asked for US$8 per million Btu (British thermal unit) while India and Pakistan do not want to pay more than US$4.25 per million Btu (EIA January 2007).

In September 2000, India, Iran, and Russia signed the North-South Corridor Agreement (NSCA). This agreement will provide traders with a shorter Asian-European trade option than through the Suez Canal, with land and sea routes connecting Europe and India via Russia and Iran. The North-South Corridor’s land routes could also be linked to the Trans-Asia Railway Network (TAR) that now uses the Caspian Sea to connect Iran with Russia. The TAR agreement was signed on 10 November 2006 to connect the Caucasus with South Korea by railway. The TAR would not only be of benefit for CEA’s economic development but as Peimani states:

“it could also lift up their regional and international significance by turning them into a hub for intercontinental cargo transportation of Asia, the largest continent rich in mineral and energy resources housing the fastest growing world economies” (Peimani 15 November 2006).

There might also be possibilities in the future in the area of arms sales between India and Iran (Calabrese 2002). To prevent any problems with the US, India is cautious in its relations with Iran. But, particularly, with regard to the IPI gas pipeline it also makes clear that it would not give in to US pressure and step out of the project. The country sees the pipeline as an important means to alleviate poverty in its country (The Hindu 14 January 2006 and 22 January 2006). India voted for the IAEA resolutions on Iran’s nuclear program, but also made clear it did not believe Iran’s nuclear program was not for peaceful purposes (The Hindu 16 January 2006).

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12. A unit of energy used in the US. One Btu is equivalent to 1054-1060 joule.
142. Its members are: Armenia, Azerbaijan, Bangladesh, Cambodia, China, Democratic People’s Republic of Korea, Georgia, India, Indonesia, Iran, Kazakhstan, Kyrgyzstan, Laos, Malaysia, Mongolia, Myanmar, Nepal, Pakistan, Republic of Korea, Russia, Singapore, Sri Lanka, Tajikistan, Thailand, Turkey, Turkmenistan, Uzbekistan, and Vietnam. Ten of these countries did not sign the agreement on 10 November 2006 but will participate due to its economic prospects.
5.5.3 Relations with the United States

The most important success of the first four years of Khatami’s presidency was that he was able to improve Iran’s position on the international scene, particularly its relations with the EU, but also with the US. Even his internal enemies had to recognize his successful foreign policy, not least because of the necessity to secure Iran’s oil income, which is central to the development of the country’s economy.

It was very surprising that Khatami’s first statement on Iran’s foreign policy was directed towards the American people, in which he stressed the similarities between the American and the Iranian revolutions with regard to the “compatibility of religion and liberty” (Ramazani 2004: 557). In his interview with the American television channel CNN, on 7 January 1998, Khatami stated clearly his objective to improve Iran’s relations with the US through a “dialogue of civilizations.” In fact, the General Assembly of the UN, on 4 November 1998, proclaimed the year 2001 as the “United Nations Year of Dialogue among Civilizations.” Larijani, at that time member of the Committee for Foreign Policy of Parliament and representative of the Conservative faction, stated:

“The motto ‘détente’ is very interesting, the motto dialogue between civilizations’ a pertinent view. The fact that we have a better image in the world and acknowledge the world is very encouraging. However, we are concerned about the inefficiency of the diplomatic establishment [not in Iran but elsewhere]” (cited in SWB ME/3555 MED/6 8 June 1999).

But, while Khatami strove for a “dialogue between civilizations” or a policy of “détente,” Supreme Leader Khamenei undermined these attempts by continuing the support of Islamist radical groups in other Muslim countries, such as Hezbollah in Lebanon and Hamas in Gaza/West Bank (Timmerman 3 December 2001). Moreover, while Khatami aimed at a dialogue with the US, Khamenei considered a

“dialogue with America […] even more harmful than establishing ties with that country” (Barraclough 1999: 12).

As a result, though since 1997 Iranian foreign policy has changed in its orientation and instruments, its substance (Islamic, anti-Americanism, anti-Israel, and independence) has remained much the same.

In the late 1990s President Khatami and President Clinton made an attempt at rapprochement. In April 1999, President Clinton stated that in the past Iran had been subject to exploitation by Western countries and therefore had a right to be angry. He said that Iran:

“has been the subject of quite a lot of abuse from various Western nations,” and that sometimes “it’s quite important to tell people ‘look, others have a right to be angry at something my coun-
try or my culture or others that are generally allied with us today did to you 50 or 60 or 100 or 150 years ago’.”

On 17 March 2000 Secretary of State Madeleine K. Albright admitted that the US had played a prominent role in the overthrowing of the Mosaddeq regime in 1953 and regretted the US siding with Iraq in the Iran-Iraq War. However, the attempt at rapprochement failed due to two main reasons:

1. The US was not willing to lift its sanctions on Iran;
2. The Conservative faction in Iran opposed friendlier relations with the US. They argued that Khatami’s attempts at rapprochement were not accompanied by any offers from the side of the US (Tarock 2006: 647).

After the attacks of 9/11 in New York and Washington, Khatami made clear his condemnation of these actions. The Iranian government even helped the US to overthrow the Taliban government in Afghanistan; they helped to establish the interim government of Hamid Karzai and gave US$500 million to reconstruct Afghanistan. In return, President George W. Bush included Iran into the “axis of evil” and left the option open of a pre-emptive war against Iran, if it supported radical Islamist groups with WMD. He also turned away from the reformist government of President Khatami, trying to play the Iranian people against not only the Conservatives in the Iranian regime but also against the Reformist forces (Ramazani 2004: 558). In his State of Union Address on 28 January 2003, President George W. Bush declared he would support the Iranian people in their fight against its own Islamic regime. This statement has been considered as a call for popular revolt among Iranians and has provoked some unease among Iranians regarding the prospects of external military involvement in Iran, especially when looking at US military actions in Afghanistan and Iraq (Human Rights Watch 2003: 450).

President Bush’s State of Union Address of 29 January 2002 was an important episode for the relations between Iran and the US. It was in that speech that Bush included Iran into the “axis of evil” alongside Iraq and North Korea. After the speech Iranian Foreign Minister Kamal Kharrazi said:

“We condemn the American accusations and think the world no longer accepts hegemony. We

146. In January 2002 Israel captured the Karine-A ship owned by the Palestinian Authority, carrying about 50 tons of weapons and explosives from Iran’s Kish Island. The Bush government considered it as a proof that Iran supported terrorism (Sick 2003: 91).
think Mr. Bush would do better by providing proof of his allegations. He should know that the repetition of such allegations is not going to help him” (CNN 30 January 2002).

In September of the same year the US government introduced its National Security Strategy, which initiated a shift in foreign policy measures from containment policy to regime change. The strategy stated that:

“the United States has long maintained the option of preemptive actions to counter a sufficient threat to our national security. The greater the threat, the greater is the risk of inaction- and the more compelling the case for taking anticipatory sanction to defend ourselves, even if uncertainty remains as to the time and place of the enemy’s attack. To forestall or prevent such hostile acts by our adversaries, the United States will, if necessary, act preemptively.”

The “Greater Middle East” later the “Broader Middle East Initiative” (BMEI) sets out the goals of the US National Security Strategy. The BMEI originated in a speech by George W. Bush given in November 2003 to the National Endowment of Democracy in Washington, in which he said:

“Sixty years of Western nations excusing and accommodating the lack of freedom in the Middle East did nothing to make it safe- because in the long run, stability cannot bet purchased at the expense of liberty. As long as the Middle East remains a place where freedom does not flourish, it will remain a place of stagnation, resentment, and violence ready for export. And with the spread of weapons that can bring catastrophic harm to our country and to our friends, it would be reckless to accept the status quo […] Therefore the United States has adopted a new policy, a forward strategy of freedom in the Middle East. This strategy requires the same persistence and energy and idealism we have shown before. And it will yield the same results. As in Europe, as in Asia, as in every region of the world, the advance of freedom leads to peace” (cited in International Crisis Group 7 June 2004: 2).

There is no doubt that this new strategy is part and parcel of the reorientation of US foreign policy since 9/11.

During the invasion by the US of Iraq in March 2003, Iran declared its neutrality to keep out of the conflict. Although Iran was pleased with the overthrow of Saddam Hussein, Iran’s most significant security threat, US domination over post-war Iraq, and political instability would have great security implications for Iran (Haji-Yousefi January).

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150. The US initiated the Broader Middle East and North Africa Initiative (BMEI) hoping for its approval at the June 2004 G8, US-EU, and NATO summits. The G8 state leaders did not simply adopt the BMEI but in a more diplomatic tone formulated the declaration: “Partnership of Progress and a Common Future with the Region of the Broader Middle East and North Africa” (Perthes 2004: 85).
The Iranian political elite feared that the US would establish a client regime in Iraq, like in Afghanistan, with the threat to launch an invasion of Iran from Iraqi territory. Head of the Expediency Council Rafsanjani also spoke about the possibility that Iraq could withdraw from OPEC. It could then, due to its huge oil reserves, try to influence global oil prices based on US interests. He further suggested that a US-friendly Iraqi alliance with the GCC countries could have negative effects on Iran’s political position in the Persian Gulf region (cited in *Ettela’at* 14 April 2003: 12).

Another concern regarding the US attack on Iraq, for Iran, was that, given the experience with the 1990-91 Gulf War, Iran could have been confronted with masses of Iraqi refugees (Haji-Yousefi 2006: 204).

Another reason for Iran’s neutrality in the war was its fear of being the next US target. While the Iranian government did not have this impression during the war in Afghanistan, the “axis of evil” speech of President George W. Bush and the subsequent invasion of Iraq by US forces caused serious concern, especially among the Conservative faction of the Iranian political elite (Haji-Yousefi January 2006: 207).

Besides Khatami, former President Rafsanjani as a representative of the Pragmatist faction has also tried to break the tense relationship with the US. Rafsanjani declared that the issue of relations with the US:

“is more of a political notion than a religious mandate. Our ideology is flexible” (*International Iran Times* 18 April 2003: 1).

Therefore, he said, it could be settled by a referendum or by the Expediency Council. As has been explained before, a referendum is constitutionally difficult, as it always needs the backing of the supreme leader.

A determining factor in Iran’s regional foreign policy, as well as its relations with the US, remains Israel. Iran does not recognize the legal existence of Israel. Tehran criticizes the Arab-Israeli peace process. This has severe consequences for its relations with Europe and the US but also for its relations with Arab countries and Turkey. The Conservative faction of the Iranian political elite would probably have resisted a change of Iran’s general foreign policy towards Israel by the Khatami government that seemed to give the Israeli state de facto recognition, while following the official policy of non-recognition (Reissner 1999).

Another factor is the nuclear issue – to be discussed in detail in chapters 6 and 7. Iran is very close to becoming a nuclear power. US intelligence and the International Atomic Energy Agency (IAEA) state that if the country is not stopped from the inside or the outside, it will have produced one or more nuclear weapons within the next couple of years. The nuclear problem could maybe solve itself, if the Reformist forces within the Iranian Islamic political elite would ultimately triumph. After the parliamentary elections of 2004 and the presidential elections in 2005, both of which were won by the Conservative faction, this seems rather unlikely in the short term. A military intervention from the US could easily backfire on Iranian domestic policies undermining or
forestalling the prospects for a “velvet revolution” in Iran. The worst-case scenario of Iranian Conservatives possessing nuclear weapons will make this possibility even more likely (Pollack 2003: 5-7).

In his eight years of presidency Khatami was not able to reach his goal of combining domestic reforms, the introduction of the rule of law and civil society building, with a moderate foreign policy approach towards the West and the Persian Gulf countries. The economic problems remained and individual freedom did not significantly improve, as many of his voters had hoped. Despite these disappointing results, during Khatami’s presidency, the floor for an intellectual and public debate on the future of the IRI, the role of Islam, and the system of the *velayat-e faqih* had been opened. The Conservative factions feared it could lose control of the important state institutions. It therefore supported the neo-Conservative Ahmadinejad in his electoral campaign.

5.6 Foreign Policy since Ahmadinejad’s Presidency (2005-2007)

Though foreign affairs played a negligible role in Ahmadinejad’s electoral campaign, foreign policy has turned out to be a cornerstone of his government. As Amuzegar explains (2007: 47), Iran’s diplomatic strategy and tactics have both changed since Ahmadinejad has come to power. In strategic terms, he has appealed to the Muslim’s “sense of nationalism and historic pride” and has accused the West of opposing Muslim countries’ scientific progress and political independence. He also criticized the global power structure and here, specifically, the UN Security Council and the legitimacy of its sanctions. In tactical terms, he has changed Iran’s attitude of defending its own socio-economic policies by now instead pointing to the shortcomings of the West in general and the US in particular. The slogans of “right and wrong” have been replaced by slogans of “justice and tyranny” (Amuzegar 2007: 47).

With Mahmoud Ahmadinejad’s taking office as President a group of people has come to power with mainly a military and security background. These people feel most comfortable under politically unstable conditions. They therefore follow a confrontational policy both towards the Middle East and the West through, for example, creating tensions over the Iranian nuclear program and the denial of the Holocaust (Mohammadi August 2007).

Thus, Mahmoud Ahmadinejad’s election introduced a new tone in Iranian foreign policy orientation, away from President Khatami’s policy of “dialogue.” With the emergence of Mahmoud Ahmadinejad as president – and the rise of the neo-Conservatives within the Conservative faction – a re-emergence of the goal of the “Export of the Revolution” can be noted. In a speech in Isfahan on 3 February 2007, President Ahmadinejad mentioned this as a possibility. He argued that during his international travels he has encountered “revolutionary sentiments”:

“This not just academics, not just men of letters, not just intellectuals […] but the people on the streets and in marketplaces lovingly shout: ‘Iran, Iran, long live Iran, may Iran remain, may Iran be victorious.’”
According to Samii (2007), it is possible that Ahmadinejad really believes that Muslims in other countries could be inspired by the Iranian Islamic revolution, but in reality it inspired only the Lebanese Hezbullah organization. At the same time, clashes between Shi’ite and Sunnis are not in the interest of the Iranian government (Samii 2007). However, as Amuzegar shows (2007: 36), Ahmadinejad has gained much sympathy among the populations of developing countries outside the Middle East:

“as much as he is admired in the East and South, he is vilified in the North and West. To millions of displaced Palestinian refugees, poor Arab masses in the street and a vast majority of Washington-bashers among the Non-aligned Movement, he is a[n] […] indisputable hero.”

After his trips to various countries in Asia, Africa, and Latin America, Ahmadinejad said that the developing countries are seeing Iran as a role model and have asked him for Iran’s “methodology and solutions on managing the economy, culture and overall development” (Amuzegar 2007: 36-37).

5.6.1 Relations with the Middle East

Ahmadinejad has drawn international condemnation having attacked several times the state of Israel and questioning the Holocaust. He said that Israel was founded on “claims about the Holocaust” and that the Palestinians had to pay the price for it:

“Even if we assume the Holocaust is true, then why should the Palestinians pay the price for it” (cited in BBC News 20 October 2006).

At an emergency meeting of Muslim leaders during the crisis in Lebanon in 2006\(^{151}\) he said that only the destruction of Israeli government would solve the Middle East crisis: “Although the main solution is for the elimination of the Zionist regime, at this stage an immediate cease-fire must be implemented” (cited in Yoong 3 August 2006).

During a meeting in Damascus with Palestinian leaders, shortly before the Palestinian parliamentary elections on 25 January 2006, Ahmadinejad stated that the Israeli-Palestine conflict had become “the locus of the final war” between Muslims and the West (Al Jazeera 21 January 2006). He emphasized that:

“Iran strongly stands behind the Palestinian people and their just struggle” (Gulf News 20 January 2006).

\(^{151}\) In July 2006, the Israeli military and the Lebanese Hezbullah entered into an armed conflict after Hezbullah had fired rockets at Israeli border towns wounding several people. The conflict was ended by a UN negotiated ceasefire on 14 August 2006. The Israeli military lifted naval blockades on Lebanon on 8 September 2006.
As Bulliet (2007: 12) states however, Iran has little advantage from pressing the Palestinian cause vis-à-vis Israel. Therefore, it is also strange that President Ahmadinejad’s remarks against Israel have provoked such international “paranoia.” Although Iran might become a nuclear power it is very unlikely that it will launch nuclear missiles at Israel, when an attack from Israel against Iran could have great political and economic implications on Iran for decades.

In an attempt to counter US military presence in the Persian Gulf region and being confronted with UN sanctions because of Iran’s nuclear program since his election, President Ahmadinejad has made several trips around the world in the search of potential allies. In January 2007, he went to South America where he met the Venezuelan, Ecuadorian, and Nicaraguan presidents. During the trip President Ahmadinejad declared that he would put US$1 billion into an Iranian-Venezuelan fund to help countries “free themselves from the yoke of American imperialism” (Economist 20 January 2007).

On 3 March 2007, President Ahmadinejad visited Saudi Arabia, the same day when diplomats from the US, Russia, China, Britain, France, and Germany met to reach an agreement on imposing new sanctions on Iran. According to the newspaper Tehran-e Emrooz, Ahmadinejad aims to improve relations with Saudi Arabia against the background of increased US military presence in the Persian Gulf and to prevent Saudi Arabia from siding with the US in the nuclear conflict with Iran (Associated Press Worldstream 3 March 2007). During his first official visit to Saudi Arabia in March 2007, Saudi King Abdullah and President Ahmadinejad discussed how to bring sectarian (Shi’ite - Sunni) tensions in Iraq to a hold and prevent a full civil war in the country. Both leaders declared their support for the Iraqi government and made clear how important they consider Palestinian unity. Ahmadinejad promised to support Saudi Arabia in its efforts to draw back tensions in Lebanon (Gulf News 4 March 2007; Samii 12 February 2007).

An interesting development is the possible creation of a gas cartel or “Gas OPEC” among the major gas producing countries in the world: Russia, Iran, Qatar, Algeria, and Venezuela. Together these five countries account for almost 70 percent of the world’s natural gas reserves. Discussions on such a cartel were to be started at the Gas Exporting Countries’ Forum (GECF) in April 2007 in Doha. The Russian energy minister Victor Khristenko, however, denied the creation of such a cartel:

“The fact that a cartel agreement […] will not be signed in Doha is clear.”

But, Rafael Ramirez, Venezuela’s energy minister, said that a cartel would be a very good idea. Gas is the second source of energy in the world;”

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152. In early 2007 the US arrested several times Iranians in Iraq, sent an additional aircraft carrier into the Persian Gulf and armed Iran’s Arab neighbors with Patriot missiles (Economist 20 January 2007).
and also Iran’s oil minister, Kazem Vaziri-Hamaneh, was optimistic about the creation of such a cartel (Hoyos 8 April 2007).

Also at the meeting in Doha, a representative of Supreme Leader Khamenei, Hassan Rowhani, announced Iran’s interest in establishing a Persian Gulf Security and Cooperation Organization that would comprise the six member countries of the GCC as well as Iran and Iraq. This announcement can be seen as a follow up to earlier attempts by Iran during Rafsanjani’s presidency (see chapter 5.4.1) to be incorporated into a Persian Gulf security arrangement, which failed at that time under pressure from the US. Even now, the inclusion of Iran and Iraq into a security arrangement of the Persian Gulf countries seems rather unlikely, for the same reasons. But the GCC countries, especially the smaller ones, are not interested in alienating Iran. Therefore, it should also be explored whether the inclusion of Iran into such cooperation would not lead to more stabilization and security in the Persian Gulf region (Afrasiabi 14 April 2007).

It cannot be denied that Iran has a great interest in its neighboring country Iraq. Not only is the majority of the Iraqi population of Shi’ite faith, but also important senior clerics in Iraq have family ties to Iran. \(^{153}\) Iran will therefore always try to have good relations with an Iraqi government that is representative of the composition of the Iraqi population. It seems very improbable that Iran would seek to politically dominate Iraq, as such a step would not only provoke mistrust in Iraq but also among Iran’s neighbors and would, therefore, be counterproductive to Iran’s efforts for political stability in the region (Bulliet 2007: 13).

US military officials accuse Iran of being involved in suicide bombings in Iraq. But, the Iranian government emphasizes that they are the strongest supporters of Prime Minister Nuri al-Maliki, who is a Shi’ite, but also the US main hope for the stabilization of Iraq. Mohammad Jafari, Iranian deputy national security advisor and, since September 2007, commander of the IRGC, as well as Ali Larijani, Iran’s chief nuclear negotiator until October 2007 and former head of the SNSC, deny Iran’s involvement in supplying Shi’ite insurgents with weapons. What Jafari does not deny however, is that Iran might have designed such weapons (Hirsh 23 July 2007).

As Ramazani notes (11 February 2007) when accusing Iran of supporting Shi’ite insurgents, many analysts do not mention Iran’s soft power approach both to Afghanistan and Iraq, such as economic aid and trade:

“Iran has extended US$500 million in aid for reconstruction in Afghanistan and maintains friendly relations with the government of Afghan President Hamid Karzai. It also has ties with Shi’a groups in western Afghanistan. In Iraq, Iran helps an estimated 1,500 Iranian pilgrims

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153. Such as Grand Ayatollah Sayyed Ali Hussein al-Sistani (1930-) who was born in Mashahd to a clergy family. He studied in Mashad and Qom. In 1951 Sistani went to Iraq to study in Najaf. He is one of only five living grand ayatollahs and the most senior Shi’ite cleric in Iraq. Sistani rejects the velayat-e faqih system in Iran and promotes a separation of state and religion, but a system in which the marja-e taqlid still plays a prominent role. Since the US invasion in Iraq in 2003 he has played a prominent role criticizing US policy in Iraq.
travel to Shi’a shrines every day, a significant source of income for Iraq. Iran exports electricity, refined oil products and Iranian-made cars to Iraq. It has extended a US$1 billion line of credit to help Iraq with its reconstruction. Tehran also has diplomatic relations with the Iraqi government in Baghdad and influential ties with the two most powerful Shi’a parties, al-Dawa and the Supreme Council of Islamic Revolution in Iraq.”

On 14 August 2007, President Ahmadinejad visited Afghan President Hamid Karzai to demonstrate the rising influence of Iran in Afghanistan. His visit followed a week after President Karzai had clashed with President George W. Bush over Iran’s involvement in Afghanistan. In a press conference at the White House President George W. said:

“I would be very cautious about whether or not the Iranian influence in Afghanistan is a positive force.”

President Karzai reacted by describing Iran:

“a helper and a solution” (both cited in Tait 15 August 2007).

In July 2007, the US ambassador to the UN, Zalmay Khalizad in an interview with CNN accused Saudi Arabia and other countries in the Middle East to undermine attempts to end violence in Iraq. His accusations came shortly after reports according to which the US is planning to sell arms to Saudi Arabia and other states in the region worth US$ 20 billion (al Jazeera 29 July 2007). According to data made available by Khalizad to the newspaper, The Times, about 45 percent of all foreign militants carrying out attacks on US troops, Iraqi civilians, and security forces in Iraq are from Saudi Arabia, 15 percent are from Syria and Lebanon, and 10 percent from North Africa (in Parker 15 July 2007).

During a visit of Secretary of State Condoleezza Rice and Defense Secretary Robert M. Gates’ to Saudi Arabia and other countries to discuss the weapons sales, Saudi Arabia’s foreign minister, Saud al Faisal, stated he was astonished by Khalizad’s criticism and confirmed that the Saudi government was doing everything it could to prevent Saudi militants from entering Iraq (Der Spiegel 2 August 2007).

According to Gregory Gause the US plans for weapons sales to Saudi Arabia and others is aimed at convincing the Saudis to establish friendly relations with Prime Minister Maliki’s government in Baghdad, whom the Saudis do not like. He argues that at the end of 2006 the Saudi government, knowing that the US would leave Iraq eventually and believing the Shi’ite government in Iraq to be supported by Iran, decided to play a more active role in Iraqi politics through establishing contacts with Sunni politicians and political groups. Since then Saudi Arabia has become more present in Iraq than the US would like it to be.154

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5.6.2 Relations with Russia

For Russia, it is important to side with Iran on its nuclear program, though President Ahmadinejad’s confrontational rhetoric towards the West and Israel have brought Russia into an uncomfortable situation. Russia, however, sees a number of advantages from its position:

1. It does not want to lose its dominant position in the Iranian nuclear program;
2. Russia aims to demonstrate reliability in its role as a mediator between Iran and the UN;
3. For Russia supporting Iran in its nuclear program could have a positive effect on its stance in the Middle East and in terms of geopolitical security (Aras and Ozbay 2006: 139).

Just before President Ahmadinejad took office in August 2005, Tehran announced that it would continue its uranium enrichment program (Zlobin 2 August 2005: 5). Russia asked Iran not to do this. At the same time it opposed the transfer of the Iranian “nuclear dossier” from the IAEA to the UN Security Council. It also made clear that it would not stop its nuclear cooperation with Iran (Bausin 10 August 2005: 1, 4; Zlobin 13 September 2005: 5). Moscow repeated its earlier proposal to enrich uranium in Russia. The US and the EU-3 agreed to this proposal, but Tehran objected to it (Shestakov 12 January 2006: 8). As there seemed to be no solution to the problem, on 4 February 2006 Russia finally voted for the transferal of the Iranian nuclear issue to the US Security Council. Iranian media accused Russia of “betrayal” and President Ahmadinejad declared Iran would withdraw from the IAEA Additional Protocol (Blinov A. 6 February 2006: 6). Shortly after, however, Manouchehr Mottaki, Iran’s Minister of Foreign Affairs announced Iran’s willingness to continue talks on Russia’s proposal (Samokhotkin and Suponina 15 February 2006: 5).

During a meeting of the SCO on 15 June 2006, Russian President Vladimir Putin and Chinese President Hu Jintao made clear their aim of resolving the Iranian nuclear problem by peaceful means. They argued that there was no alternative to civilian, political, and economic measures against Iran and declared they would keep engaged in the issue (IRNA 16 June 2006).

For Iran the development of economic ties with the East are much more important than intervention in the domestic affairs of its neighboring countries. President Ahmadinejad’s participation in the SCO summit (mentioned above) was an important step into this direction. The completion of an oil pipeline from Kazakhstan to China, in 2006, showed that China will be an important player in CEA in the future. To develop cooperation with China will, therefore, be much more beneficial for Iran than any confrontation in the Persian Gulf area (Bulliet 2007: 12).

5.6.3 Relations with the United States

In the short term, the US demands Iran to stop the enrichment of uranium to prevent Iran from developing nuclear weapons. In the long term, however, the US aims at re-
gime change in Iran. This policy has been followed by all US governments since the
Iranian Islamic revolution of 1979 (Tarock 2006: 646-647). Iran's relationship with the
West, in general, and with the US, in particular, has great impact on other areas of con-

flict in the world, such as the Israel-Palestine conflict, the security of the Persian Gulf
countries and other Muslim countries, the political stability in Afghanistan and Iraq,
and the overall relationship between the West and the Muslim world. It also influences
the US relations with Russia, China, and India. The latter three have no objections to
Iran's nuclear program, as they do not see the danger of nuclear weapons production
(Tarock 2006: 647).

On 8 May 2006, President Ahmadinejad sent a letter to President G.W. Bush, which
can be considered to be the first direct official contact between the two countries in 27
years. In the letter he indirectly showed his willingness to start direct talks with the
reacted to the letter saying:

“This letter is not the place that one would find an opening to engage on the nuclear issue or
anything of that sort.”

The US government made clear that it would not be willing to start direct talks and
that it would not make the nuclear issue in Iran a bilateral issue.

A first bilateral public meeting after thirty years between Iran and the US took place
in Iraq on 28 May 2007. The US ambassador to Iraq, Ryan Crocker, and his Iranian
counterpart, Hassan Kazemi-Qomi, met in Baghdad's Green Zone to discuss security
in Iraq. After the meeting both ambassadors evaluated their talks as positive and left
the option for meetings in the future open (BBC News 28 May 2007).

Although the meeting had no noteworthy results, the remarkable thing is that it took
place at all. The meeting could only have been successful if it was used by Iran and the US
to start more comprehensive unconditional talks on a direct and bilateral basis. Each party
should be able to raise any subjects on which they disagree (Kinzer 21 June 2007).

A couple of years ago, Iranians who were in favor of dialogue with the US were im-
prisoned. Now even President Ahmadinejad writes an open letter to President George
W. Bush opening debate. Until May 2006, the US government denied dialogue with
Iran arguing that by talking to Iran it would legitimize the Iranian regime. The Secre-
tary of State now shows her willingness to talk to Iran, on the precondition that Iran
suspends enrichment of uranium. The meeting in Baghdad of 28 May 2007 is clearly
a sign that both parties are open for dialogue. But, the 28 years of mistrust from both
sides will not be easily washed away (Sadjadpour June 2007: 6).

In late September 2007, President Ahmadinejad visited the United Nations General

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156. See US State Department spokesman, reported by Agency France Press, (22 May 2006).
Assembly as well as New York’s Columbia State University. Though there was great controversy whether to invite President Ahmadinejad to speak to University staff and students, the huge crowds of people who gathered to listen to his speech should not be underestimated. Despite his repeated denials of the Holocaust and saying that homosexuality is non-existent in Iran (BBC News 25 September 2007), President Ahmadinejad seems to be a welcome speaker even in the US. Though the US continues its economic sanctions on Iran, President Ahmadinejad’s last visit to the US was further proof that the US does not follow a policy of political isolation.

At the same time, however, in August 2007, the US government announced its plans to include the IRGC as a terrorist organization on its global terrorist blacklist created after 9/11. This is the first time that a foreign governmental or para-governmental organization has been considered for the list. The US government accuses the IRGC of supporting insurgents in Iraq as well as the Taliban in Afghanistan, and Hezbollah in Lebanon. It also reflects US concerns about Iran’s nuclear program (MacAskill 15 August 2007). This move undermines the initiative of talks between Iranian and US officials. Some of the Iranian diplomats the US government is dealing with are still part of the IRGC, such as Iranian deputy national security advisor, Mohammad Jafari, who sat at one table with Secretary of State Condoleeza Rice at the Iraq summit in Sham al-Sheikh in early 2007. The decision to put the IRGC on the terrorist list might have great implications in the long-term. As it is easier to put a group on the list than to remove it, it will be more difficult for coming US presidents to enter into dialogue with Iran (Parsi 15 August 2007).

An important step would be a new American policy approach towards Iran: away from confrontation, towards dialogue, and including offers of economic assistance and greater access to international trade. This policy would have two main consequences:

1. The Khatami’s eight-year presidency showed that Iranians are responsive to international public opinion and that they have no desire to return to Iran’s international isolation of the 1980s. Increased trade relations and talks concerning a regional security arrangement would help to keep the dialogue going;
2. Improved international economic relations would only widen the rift among the Conservatives. Accepting greater international trade would go against the hardliners’ ideological values and alienate them from their social base. Rejection would isolate the country and distance the majority of the Iranian population even further from its own government (Sohrabi 2006: 5).

Sanctions will only work if they have no direct effect on the people and if they keep the door open for dialogue. The sanctions now imposed on Iran target the military and individuals connected to Iran’s nuclear program. Should the sanctions be expanded they will have a direct effect on the people. In that case it is very likely that they will side with their own government and persuading Iran to stop its uranium enrichment program would be even more difficult.157

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5.7 Summary

During the reign of the last Shah, Mohammad Reza Shah, Iran was a close ally of the US and aimed to achieve a prominent position in the Persian Gulf region. The Iranian Islamic revolution transformed the country’s foreign policy of maintaining good relations with the US, Israel, Europe, and US-friendly Middle Eastern regimes to one of confrontation with the West and Israel and of supporting Middle Eastern resistance movements aimed at overthrowing pro-Western and secular oriented governments. The aim to play an important role in Persian Gulf security remained, especially after the War with Iraq and when Hashemi Rafsanjani became President.

Since the Islamic revolution in general, two main groups of the Iranian political elite with regard to foreign policy orientation/geopolitical visions of the IRI can be distinguished:

(1) The first group, of which the Conservative faction is the main representative, emphasizes the identity of the Islamic revolution and the return to Islamic values. To reach these goals, the IRI has to have a good partnership with Islamic countries and the Muslim masses, and refrain from rapprochement with the US;

(2) The second group represents mainly the Pragmatist and Reformist factions. These factions see Iran as a nation state that has to play a key role in international relations. They consider international trade and political ties as major tools in safeguarding Iranian national interest. They therefore advocate establishing a good relationship with the West and especially the US.

When Khomeini was the supreme leader, foreign policy was mainly ideologically driven, influenced by the two principles of the revolution “Export of the Revolution” and “Neither East Nor West.” Supreme Leader Khomeini followed a confrontational and isolationist foreign policy. Khomeini and his followers saw the Islamic revolution as a model that would trigger further revolutions in other Muslim countries. But the guideline of the Export of the Revolution has never been really an ideological or revolutionary pursuit but rather a survival strategy in the war with Iraq and later to cover the IRI’s political and economic problems at home.

Most of the armed groups, which received financial support from Iran during the 1980s, were Shi’ite organizations in opposition to Saddam Hussein in Iraq or to other rulers in the Persian Gulf, or active in Lebanon, Afghanistan, and Pakistan. In the 1990s, Iran supported Sunni groups such as the FIS in Algeria, the National Islamic Movement in Sudan, Hamas and Islamic Jihad in Palestine, the Muslim Brotherhood in Jordan, the al-Nahda Party in Tunisia, the Jihad Group in Egypt, and the Muslims in Bosnia. But Iran did not intervene in the conflict between Russia and Chechnya in the 1990s, which proves that in Iranian foreign policy formulation national interests are of higher priority than ideological/religious ones.

The two presidents, Rafsanjani and Khatami, followed a pragmatist approach toward foreign policy. President Rafsanjani adopted a more pragmatic foreign policy orientation not least because of his attempt to improve the devastating economic situation of
his country and to attract FDI. His aim was to enhance relations with the Persian Gulf countries, especially Saudi Arabia, to strengthen Iran's role in the region. He even suggested the establishment of a regional security organization, which did not come about as the Persian Gulf countries preferred alignment with the US above Iran. During Rafsanjani's presidency the IRI also improved relations with Russia after the fall of the Soviet Union as well as the CEA countries. The relations with the US remained frozen.

Khatami's presidency inaugurated important changes in Iranian foreign policy, especially better relations with the EU. He continued Rafsanjani's foreign policy with regard to the Persian Gulf as well as Russia and CEA. Due to Iran's huge oil and gas resources Iran in recent years has also intensified cooperation with China and India in the energy sector. President Khatami tried to open a dialogue with the US. He aimed at combining democratic reforms at home with a pragmatic foreign policy abroad but failed, mainly because of resistance to these reforms by the Conservative faction.

Since Ahmadinejad's election foreign policy has again shifted. President Ahmadinejad, who seems to be a hardliner à la Khomeini, has used a very hostile tone, especially against the US and Europe, and also Israel. On the other hand, Ahmadinejad has found companions among leaders of other developing countries in Latin America (Venezuela, Ecuador, and Nicaragua). In the short term, Ahmadinejad complicates Iran's foreign relations, especially towards the West, though several times he has shown his interest in dialogue with the US. At the same time the US, through its economic sanctions, the inclusion of Iran into the axis of evil, and branding the IRGC a terrorist organization, makes a rapprochement between the two countries very difficult. This affects also the relations between Iran and the EU, as will be shown in the following two chapters.
Chapter 6
Factional Rivalries and Iran-European Union Relations

6.1 Introduction
Chapter 6 and 7 discuss the relations between Iran and the EU since the Iranian Islamic revolution until 2007. Chapter 6 focuses on the foreign policy of the IRI towards the EU and its main member countries that are the EU countries with the most diplomatic and economic ties to Iran (Britain, France, Germany, and Italy). Chapter 7 then concentrates on the four main policy initiatives taken by the EU towards Iran since the beginning of the 1990s, namely: (1) Iran-European Union Energy Policy Dialogue; (2) Iran-European Working Group on Trade and Investment; (3) Iran-European Union Human Rights Dialogue; (4) the proliferation of nuclear weapons. As a common foreign policy of the EU, in general, and towards Iran, in particular, does not exist yet, chapter 7 will also look at why the individual EU member countries follow specific policy strategies towards Iran, and what effects this has on developing a joint EU policy towards Iran.

As has been explained already in chapter 5, for the last 150 years from the point of view of Iran, Europe (i.e. France, Britain, and Russia) has been associated with, on the one hand, its potential threats to Iran’s national security and, on the other hand, it has been a shield to its geopolitical interests. During the Safavid period (1501-1722), Iran and European countries bargained several times over their interests. In the 19th century, the Qajar Empire (1786-1921) played the French card against the British and Russian Empires, which in their commonly known “Great Game” divided the country into their respective spheres of influence. At the beginning of the 20th century, the Qajar Empire used the help of the British against the military threat posed by the Tsarist Empire and later the Soviet Union. In its Potsdam Agreement of 1911 with Russia, Germany compromised over Iran, and so did Joachim von Ribbentrop and Vatjeslav Molotov in the non-Aggression pact signed in 1939. Reza Shah Pahlavi (1921-1941) had a close political and economic relation with Nazi Germany. His son Mohammad Reza Shah, who became a close ally of the US after the coup against Prime Minister Mosaddeq in 1953, expanded relations with Western European countries, as well as the Soviet Union in the 1970s, to reduce Iran’s dependence on the US.

Since the Islamic revolution it can be assumed that Iran has needed the EU because of economic interests and its continuing difficult relationship with the US. For the EU,

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158. The term EU is used throughout the whole book to refer to the European Union, but it is also used for the time when the EU was referred to as the European Economic Community and European Community.

Iran is a potential supplier of oil and gas as well as an important factor for stability in the Middle East and, therewith, in its own backyard.

Regional security problems and US activities in the Middle East have not been central to Iran-EU relations, but they have influenced policies on both sides, particularly since the end of the Cold War and again since the attacks of 9/11, the war in Afghanistan in 2001, and the Iraq war in 2003. Another issue that has more recently impacted on the relations between Iran and the EU is Iran’s nuclear program. At the same time, increased diplomatic collaboration between Iran and the EU reflects the desire of Iran, and at least some in the EU, to object to the US goal of changing the political order in the Middle East and domination of the region.

Moshaver (2003: 283-284) describes the relations between Iran and the EU as “functional accommodation.” He argues that increasing cooperation between Iran and the EU is a “by-product” of Iran’s overall internal and international situation rather than a reflection of a fundamental “political/strategic” change. The Iran-EU functional accommodation has no long term strategic, political, or security perspective, as had Iran’s relations with European countries during the Mohammad Reza Shah period. The relations between the IRI and the EU are functional in the sense that they focus on mutual economic interests in the light of continuing sanctions on Iran by the US.

The relations between Iran and the EU since the Islamic revolution in 1979 until today are a clear reflection of the changing foreign policy trends in the IRI discussed in chapter 5. Relations strained during Khomeini’s leadership in the first decade after the revolution (1979-1989), improved during Rafsanjani’s presidency (1989-1997), and reached their highest level during Khatami’s presidency (1997-2005). Since the election of Ahmadinejad as president in 2005, relations between Iran and the EU have become more complicated, particularly because of the nuclear issue, but there does not seem to be a significant change in foreign policy orientation from both sides.

6.2 Iran-European Union relations during Khomeini’s Leadership (1979-1989)
Whereas, after the IRI had been established, the relations between the IRI and the US were hostile from the beginning, the IRI and the EU (and some of its member countries) were suspicious of each other, but nevertheless willing to negotiate, especially in the economic sector (see chapter 3.2.2). These different approaches from the IRI towards the main Western actors according to Tarock (1999: 44) have four main reasons:

(1) Although the European countries, especially West Germany160, Italy, France and Britain had good economic relations with Iran before the Islamic revolution, they had not been so deeply involved in Iran’s political and military affairs like the US

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160. Among the member countries of the European Union, Germany had the closest diplomatic relations with Iran in the first years after the Islamic revolution. German diplomats played an important role in establishing an indirect negotiation channel between the US and Iran, to e.g. free American hostages in Lebanon (Amirahmadi 1991: 277).
- except for Britain\textsuperscript{161};

(2) The European countries did not view the revolution from a Cold War zero-sum perspective - like the US. That means they did not consider the success of the revolution as a “loss” of Iran to the West;

(3) During the months before Khomeini returned to Iran, France had offered him a temporary home after he had been forced out of Iraq\textsuperscript{162};

(4) The political elite of the IRI realized from the beginning that for security, political, and economic reasons it could not afford to confront both Europe and the US at the same time.

When the US imposed a trade embargo on Iran in April 1980, during the hostage taking of US diplomats and staff at the US embassy in Tehran, the foreign ministers of the EU announced, in May 1980, support for the trade embargo (except for food and medicine). But Britain and France made further exceptions for several services, such as engineering consultancy, insurance, transport, and tourism. Therefore, many transactions took place, despite the embargo, sometimes through intermediary countries (particularly Dubai and Abu Dhabi). Thus, Iran still had access to the most essential goods, but had to pay higher prices for them. This episode shows that even at the time of the hostage taking, the US was not very successful in getting the full support for its embargo on Iran from Europe. The European countries considered the embargo ineffective. In order to make it successful, the US also needed the support of the Soviet Union\textsuperscript{163} and Japan\textsuperscript{164}, of which it could not be assured. Furthermore, a complete trade ban would have cut off the access to Iran’s oil resources and would have resulted in a short-term rise in world oil prices. When the US embassy staff taken as hostages were freed, on 1 January 1981, the EU and Japan lifted their trade embargos (Amuzegar 1993: 146-47).

After the hostage taking EU member countries became important for Iran in diplomatic and economic terms, in order to replace the close ties Iran had had with the US.

\textsuperscript{161} Britain has been deeply involved in the internal affairs first of the Persian Empire in the late 19\textsuperscript{th} and beginning 20\textsuperscript{th} centuries, when the Russian and British Empire divided the country into their mutual spheres of influence (see Kazemzadeh 1969), and later after World War II when Britain collaborated with the US to overthrow the Mosaddeq government in 1953 (see Roosevelt 1979).

\textsuperscript{162} During the conflict between the Shah and Ayatollah Khomeini, France declared its neutrality. It had even hosted Ayatollah Khomeini during a four months stay in Paris. Khomeini thanked President Valery Giscard d’Estaing for his hospitality: “I am very grateful to my French friends who gave me the opportunity to send my messages from Paris to the Iranian people […]” (Bozorgmehr December 1996-January 1997: 39).

\textsuperscript{163} See on the relations between Iran and the Soviet Union in the early years after the revolution chapter 5.3.2.

\textsuperscript{164} Iran and Japan established official relations in the early 20\textsuperscript{th} century. During the reign of Mohammad Reza Shah ties were expanded, especially as both countries were security allies of the US. A cultural agreement signed during Mohammad Reza Shah’s reign was not suspended after the Iranian Islamic revolution. Japan was among the few industrialized countries that continued their relations with Iran after the Islamic revolution (ICCIM “Japan Agrees to Provide $550m of Insurance Coverage to Iran’s Steel, Telecommunications and Petrochemicals,” n.d.), http://www.iccim.org/English/magazine/iran_commerce/n01_2001/15.htm.
before the Islamic revolution. In the beginning there was little interest from the side of the EU due to the Iran-Iraq War, in which most countries sided with Iraq, and the EU member countries’ alliance with the US in the Cold War context. At the end of the 1980s, however, these obstacles disappeared (Moshaver 2003: 302), opening the way towards more cooperation.

Factors that complicated the relationship between Iran and the EU in the first ten years after the revolution until the early 1990s were:

1. Iran’s support for Hezbullah in Lebanon and the hostage taking of Westerners in Lebanon by Hezbullah;
2. The *fatwa* against Salman Rushdie;
3. The killing of Iranian dissidents in Europe.

From the early 1980s to the early 1990s, many hostage takings of Westerners took place during the civil war in Lebanon, most of which were attributed to the Hezbullah organization. Several of the hostages died in captivity, such as the American UN observer, William Higgins, who was hung in July 1989, or the Frenchman, Michel Seurat (a historian), who was kidnapped on 22 May 1985 and whose remains were found in March 1986 (Samii 15 December 2005; *International Herald Tribune* 6 March 1986). Many members of the Iranian political elite rejected the hostage takings, among which were secularists, who had been associated with Mehdi Bazargan’s government, as well as Abolhassan Banisadr, and the more Pragmatist clergy such as Hashemi Rafsanjani, who emerged in the mid-1980s. The Radical Left faction of the Iranian political elite used its contacts with Hezbullah in Lebanon to confront the Conservatives/Pragmatists at home. This might also be the reason why Rafsanjani was reluctant to make efforts for the freeing of Western hostages at the end of the Iran-Iraq war, as it would have made him vulnerable towards the Radical Left faction (Joffe 1991: 84-85).

A further issue that complicated Iran-EU relations was the *fatwa* on Salman Rushdie. On 14 February 1989, Ayatollah Khomeini issued a *fatwa* against the British author Salman Rushdie and his editor. Khomeini called Rushdie’s book *The Satanic Verses* “blasphemy” and called on all Muslims in the world to carry out the *fatwa*. The *fatwa* was unanimously condemned by the EU (Amuzegar 1994: 194). By mid-February 1989, the EU member countries had even recalled their ambassadors from Tehran (do Céu Pinto 2001: 107), but they returned to Tehran shortly after, and the resumption of diplomatic relations was agreed. However, the affair complicated the diplomatic relations between Britain and Iran for some time to come.

Another important obstacle to better relations between Iran and the EU was the fact that during the 1980s and 1990s Iranian opponents to the Islamic regime in Iran were assassinated in various European cities (do Céu Pinto 2001: 102), such as Paris (Iran’s former Prime Minister Shahpur Bakhtiar in 1991), Berlin (high ranking members of the

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Kurdish Democratic Party of Iran in 1992) – the so called Mykonos case (see chapter 6.3) -, and Vienna (Dr. Abdul Rahman Ghassemlou of the Kurdish Democratic Party of Iran 1989). It was always impossible to find out whether these assassinations were ordered by the Iranian government, its agencies, or extremist individuals of the political elite (Bakhash 2001: 250).

Nevertheless, the Iran-Iraq War and the US economic sanctions on Iran brought Iran closer to Europe. Iran needed the European market to export its oil and was dependent on Europe’s manufactured consumer goods, capital goods, as well as management and industrial services. Due to the war against Iraq, Iran needed to establish military trade links with as many countries as possible. Western Europe was an important source of weapons both through official and clandestine arms dealers (Ehteshami 1991: 62-63).

Many European countries also remained important trading partners of Iran during the Iran-Iraq War, despite the political difficulties due to the issues mentioned above. As has been shown earlier West Germany, Italy, and Britain had good trade relations with Iran and even France (see appendices 1 and 2), despite its military support to Iraq, maintained its trade position. Iran remained Britain’s second most important Middle Eastern export market, even in 1988, when the Rushdie affair started.

### 6.3 Iran-European Union Relations during Rafsanjani’s Presidency (1989-1997)

When Hashemi Rafsanjani became president in 1989 the economic and diplomatic relations between Iran and the EU entered into a new phase. During this period it became more important to find a common ground, based on mutual interests, rather than to stress the differences. Internally, the death of Khomeini, the economic crisis, Rafsanjani’s rejection of the “Export of the Revolution,” and externally, the changing international environment – due to the end of the Cold War – had a decisive impact on the rapprochement of the EU with Iran. The EU was seen by Iran as a valuable source of foreign loans, credit, and investment to implement Iran’s economic restructuring program (see chapter 3). For the EU, Iran remained an important source of oil supply but also, with a population of 60 million (now 72 million), an important trading and investment partner. Iran was the only country in the Middle East, which, at that time, was not dominated economically by EU competitors, especially the US. Additionally, the EU needed Iran’s help to free its hostages in Lebanon and prevent the killing of Iranian dissidents in Europe, particularly in France and Germany, but also in Austria (Moshaver 2003: 293).

In the mid-1990s, economic relations between Iran and Europe increased, particu-

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larly the trade relations with Germany\(^{167}\), France\(^{168}\), Britain, and Italy (Moshaver 2003: 293).

In December 1990, the Iranian minister of Foreign Affairs Ali Akbar Velayati visited France where he met with the French President François Mitterrand. In May 1991, the French Minister of Foreign Affairs Roland Dumas visited Tehran. A meeting between

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167. Unlike other European countries (like France, Britain, and Russia), Germany had no colonial aspirations in the Middle East in the 19th century. When the German *Reich* was established in 1871, the other countries had already expanded towards the East and there was not much left for Germany to occupy. Furthermore, Otto von Bismarck, Germany's first *Reichskanzler*, disliked colonial acquisitions. Germany followed a policy of accepting the status quo in the Middle East, subordinating foreign policies towards the Middle East to relations with the US and other European countries, and mediating in conflicts in the Middle East. Economic relations, however, were flourishing (Schwanitz September 2007). Already before World War I Germany had considered the Persian Empire, along with the Ottoman Empire, as fertile ground for commerce. For the Qajar Empire Germany was a source of top-quality Western technology and, since the country had no colonial aspirations in the Middle East, a foreign power that could counter Russian and British interests. During World War I the good relationship was interrupted but resumed during the 1920s, when Germany provided Iran with planes for its air force and helped to establish the Iranian National Bank. Also, when the Nazis gained power in Germany the good relationship between Germany and Iran remained. For the Iranian Shah, Reza Shah, Germany was a source of technology. He considered it a counterweight to Moscow. For the Nazis, from a geopolitical perspective, Iran was a key country to isolate both the Soviet Union and British India. When the Soviet and British forced the Shah to abdicate in 1941 Germany could no longer pursue its interest in Iran. After World War II the US established good relations with Reza Shah's son, Mohammed Reza Shah. Also German firms invested heavily in Iran while the Iranian government gained 25 percent of Friedrich Krupp GMBH, a German heavy industry giant. In order not to disturb its good relations with Iran, the German government refused permission for the human rights organization Amnesty International to hold a conference on Human rights abuses in Iran. It even handed over information to the Iranian secret service SAVAK. In 1975, the German-Iranian Chamber of Commerce in Tehran was established (Mahdavi 1365/1987; Ramazani 1966; Rezun 1981). After the Iranian Islamic revolution in 1979 the diplomatic relations between Germany and Iran cooled down. Like other countries in Europe, Germany sold industrial goods worth billions of dollars to Iraq. When the Iran-Iraq War ended, and after the end of the Cold War and Germany's reunification, however, Iran and Germany started their “critical dialogue” that continues until today. The top of the German industry has been doing business in Iran including: Siemens, Mannesmann, Krupp, Daimler-Benz (some key contracts were signed with firms from former East Germany) (Lane 1995: 82, 85-86). Relations between Iran and Germany continued almost trouble free until the Mykonos case in 1997 (see chapter 6.3) and have continued since then.

168. France's connection with the Middle East used to be with the Arab states and not Persia/Iran. Only in the 1970s, when Iran's financial position improved as oil and gas exports were increasing, did economic relations between Paris and Tehran intensify, but political relations remained limited. An important source of tension between the two countries was the fact that France supplied Iraq with arms during the Iran-Iraq war. Another source of tension was a US$1 billion loan that the Shah had granted France for the construction of nuclear power stations in Iran. After the Islamic revolution, the Iranian regime demanded that the French government either pay back the money or build the nuclear power station. France finally agreed to return US$ 330 million of the loan and to pay the rest in exports, under the provision that Tehran would co-operate in releasing French hostages held in Beirut by Hezbollah in the mid-1980s. Difficulties between Iran and France started in 1980, when some members of the Iranian political elite during the Shah period (members of the Pahlavi family, politicians, army generals, intellectuals, and dissidents), who had fled the country to France after the revolution, started to reorganize themselves and prepare the overthrow of the Khomeini regime. France gave political asylum to Shapour Bakhtiar and, in 1981, to the IRI's first president, Abolhassan Banisadr, as well as to the leader of the Mujahedin-e Khalq, Massoud Rajavi. As a reaction, Tehran prevented 157 French nationals from leaving Iran for France (Tarock 1999: 47). About two weeks before the end of the Iran-Iraq war the relations between Iran and France were restored on 16 July 1988. Since then a number of trade, investment, and technical agreements have been signed between the two countries.
President Rafsanjani and President Mitterrand was postponed due to the assassination of the former Iranian Prime Minister Shapour Bakhtiar in Paris (Hunter 1992: 136).

In the mid 1990s, three issues hampered the good relations between Iran and the European Union: (1) the Mykonos case; (2) the Hofer affair; (3) the Rushdie affair.

On 10 April 1997, a German court\textsuperscript{169} held members of the Iranian political elite, including President Rafsanjani, responsible for direct involvement in the assassination of three Iranian Kurdish leaders in Berlin at a Greek Restaurant called Mykonos\textsuperscript{170} (Tarock 1999: 53).

Prosecuting attorney Jost said in his closing statement:

“it is not possible to avoid mentioning the state terrorist background of the murder” and “there cannot be the slightest doubt that the attack was planned and prepared by the Islamic Republic of Iran and its leading men” (cited in Clawson 23 July 1997).

In his verdict of 10 April 1997 Presiding Judge Frithjof Kubsch stated:

“Iran’s political leadership made the decision [...] to liquidate KDPI [Kurdish Democratic Party of Iran]. The final decision on such operations lies with the ‘Committee for Secret Operations’ which lies outside the constitution and whose members include the state president, [...] the top official responsible for foreign policy [and] the ‘religious leader’ [who] is a political leader [rather] than the spiritual head of the Muslims” (cited in Clawson 23 July 1997).

As result of the verdict the ambassadors of all EU member countries were withdrawn from Iran, and the Critical Dialogue, initiated in 1992 by the EU (see chapter 7.1), was suspended. The EU Ambassadors returned 6 months later, except for the German and British ambassadors (Rieck 2000: 133-38), who initially were not allowed to reenter Iran. Though the Mykonos case brought about some turbulence in the relations with Iran, it did not put the fundamentals of the Critical Dialogue into question. There was no doubt in the EU that dialogue was preferred to isolation, and the EU member countries – despite their differences – kept the door open to Iran (Calabrese 2004: 3). For example, the German foreign minister was of the opinion that only through a continuous “critical dialogue” with Iran, would Western countries be able to influence the Iranian leadership. The German foreign minister, Klaus Kinkel, said in defense of Germany’s continuing economic and diplomatic relations with Iran when the Mykonos case was going on:


“One cannot simply turn diplomatic relations on and off like a water faucet” (cited in Schmid 28 November 1996).

In a letter to President Rafsanjani, German Chancellor, Helmut Kohl, affirmed that the German government would operate separately from the judiciary (Schmid 28 November 1996). The German Foreign Minister, Klaus Kinkel, told US officials in Washington in November 1997:

“We believe that you need to talk to people if you are to influence them. If you are to influence Iran, you need to talk to them on the points where there is disagreement” (cited in The Associated Press 5 November 1999).

The Hofer case was a reaction of the Iranian government intended to punish Germany for the Mykonos case outcome. Iran’s aim was to exchange Hofer for Kazem Darabi, who received a life sentence for having directed the killing of the three Kurds at the Mykonos Restaurant, as was stated by former Iranian President Abolhassan Banisadr. The Hofer case concerned a German businessman, Helmut Hofer, who was arrested in September 1997 in Iran on charges of having had a sexual relationship with an Iranian woman. He was sentenced to death but eventually freed in January 2000. Analysts in Iran saw the Hofer affair, also, as an attempt by the Conservative faction of the political elite in Iran to put pressure on the Reformist President Khatami, who had just been elected President a couple of months earlier (IPS 10 February 2000).

Another important issue that still posed an obstacle to better Iran-EU relations was the *fatwa* on Salman Rushdie. President Rafsanjani declared that the edict would not be carried out, though he was not able to formally change it. Some clergy of the Conservative faction of the Iranian political elite confirmed, however, particularly in their Friday Prayers, that the government would not depart from its revolutionary guidelines implemented by Khomeini after the revolution (Moshaver 2003: 295), and also not from the *fatwa* against Salman Rushdie. This might also have been a reaction to how the European public saw the political system in Iran, discrediting it as a “mullah state” or “theocracy,” and stressing the need for a “secularization” of Iran. Due to this view of the IRI, members of the Iranian government became suspicious about the real motives of Europe in entering into a critical dialogue with Iran, namely the change of the political system of Iran (Reissner 2006: 118).

In 1992, the Clinton administration passed the Iran Non-Proliferation Act extending export sanctions on Iraq and Iran, followed by the “dual containment” policy in 1993 (see chapter 5.4.3). In 1996, President Clinton introduced the ILSA prohibiting investment in Iran’s and Libya’s energy sector. With the ILSA President Clinton not only aimed at punishing the Iranian government, but also to undercut the European policy towards Iran. Through the introduction of the ILSA, the US intended to put pressure on European and other countries to follow US economic policy towards Iran. But it
Many European countries even acted against the sanctions. For example, in July 1995, the French-based oil company Total and Iran’s NIOC signed a deal for the development of offshore oil and gas fields in Sirri.\(^{171}\) This same contract had earlier been given to the US Company Conoco but had been withdrawn after the US ILSA Act had been introduced. On 29 September 1997, Total signed a $2-billion deal (together with Gazprom [Russia] and Petronas [Malaysia]) to explore the South Pars gas field and to help develop the field during Phase 2 and 3 of its development. Furthermore, Iran and France concluded other contracts for the development of airport, rail, land, and sea facilities for the transit of French goods to Central Asia. Also, Germany remained a leading trading partner for Iran, mainly with regard to oil imports and exports of other products to Iran. Trade relations could also be improved with Britain, Norway, and the Netherlands. By 1995, the EU had become Iran’s largest trading partner with over 40 percent of total Iranian imports. Iran exported 36 percent of its total export to the EU, 75 percent of which was oil. Iran’s external debt to the EU (rescheduled in 1996-1999) amounted to US$ 10 billion by 2001 (EU Commission 2001: 71).

When Khatami was elected president, he was not only able to intensify economic relations between Iran and the EU but also to improve Iran’s diplomatic stance in the world.

### 6.4 Iran-European Union Relations during Khatami’s Presidency (1997-2005)

The improved economic and partially improved diplomatic relations between Iran and the EU were continued during the presidency of Mohammad Khatami. President Khatami’s promises to his electorate: political reforms, a strengthening of civil society, and the rule of law, appealed both to the Iranian people and the EU. It also gave the Critical Dialogue with the EU a new impetus. President Khatami’s call for a “Dialogue of Civilizations” opened the way to a deepening of economic and diplomatic relations with the EU, without the EU having to appear uninterested in US concerns.

Mohammad Khatami was elected when Iran was still in a diplomatic crisis with the EU, due to the Mykonos case. Despite the Iranian population’s wish to normalize relations with the West (the EU and the US, see chapter 4), there was still opposition among the Conservative forces of the Iranian political elite. Supreme Leader Khamenei for example stated that many countries, besides the EU, wished to sell goods to Iran. Therefore, Iran:

> “ha[d] no need of Europe” (Iran Radio 30 April 1997 cited in BBC ME/2098MED/1-2, 2 May 1997).

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171. The project was completed in 2000.
Elaheh Koolaee, associate fellow of the University of Tehran and Member of Parliament for the Reformist faction during Khatami’s presidency, underlines the fact that there are different approaches towards the EU in Iran:

“I think in our country there is a very positive maybe contradictory outlook about European countries. There are very considerable differences among the people, especially on the elite level and intellectual people or decision makers […], about the European countries and the benefits of cooperation and expanding relationships with these countries […] because of a variety of thinking about the different countries. It is not an exclusive subject about European countries, about Russia, about America, about China – all the countries. There is some kind of fragmentation among the people. And, […] maybe we can see some contradictions in the analysis of people about the benefits of this kind of relationships with these parts of the world.”

She argues that this has to do with different outlooks of Iranian policy makers and intellectuals towards the world and particularly the West:

It is related to the essence of looking at the external world […]. I think there is a very strong idealism among Iranian people about the world. Maybe some kind of nostalgia about the past, the very distant past […]. Based on these perceptions there are different ideas among intellectuals and decision-makers in our country about the benefits of expanding relations with European countries. You know, we have many different needs in our external relations, I mean in our trade level, there are many answers in European countries for our demands. […] This way of thinking has its defenders and supporters. But, there are some people who insist on expanding relations with Russia […], to transfer technology, to train […] experts, scientific and applied sciences for transferring technology […]. But, based on the previous policies of European countries in the time before WO II the process of colonialism and different confrontations between European people and Third World people […] there is a deep pessimism […] about all western countries. Meanwhile there are many people in our country that have a very, very positive perception about the effects […] of expanding relationship with western countries especially European countries. So I think there are different ideas based on the paradigm that people use […].”

When the ambassadors of the EU member countries had returned to Iran, after the Mykonos case, the Italian prime Minister visited Iran and President Khatami paid visits to several European countries to strengthen a “constructive engagement” : Italy (March 1999), France (October 1999) and Germany (July 2000) – Iran’s main EU trading partners. President Khatami hoped to be able to break the IRI’s largely self-imposed international isolation. At the same time, he tried to play on European commercial rivalries, to stress the differences between the EU and the US towards Iran, and get FDI and foreign

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loans. He was aware that he could only attract FDI if Iran could provide security to the investors. Security was only possible by applying the “rule of law” in Iran (Chubin 2002: 32).

In September 2001, Kamal Kharrazi, the Iranian foreign minister, undertook the first visit of an Iranian foreign minister to the EU in Brussels. Since then several visits have taken place from both sides, with top EU officials, including the foreign policy chief, Javier Solana, and Commissioner Chris Patten, visiting Tehran, and a visit of a delegation from the European Parliament to the Islamic Republic in the summer of 2002. In February 2003, Iran’s foreign minister, Kamal Kharrazi, spoke to the European Parliament in Brussels. He was the first foreign minister of the IRI to do so (Khan 2003: 8).

Relations with Britain were also unblocked when President Khatami visited the UN in New York confirming that he considered the Rushdie affair closed; thus the government would make no more efforts to carry out the fatwa. President Khatami had the support of Iran’s foreign minister, Kamal Kharrazi, in this issue. However, there were still voices among the Iranian political elite that declared the fatwa to be valid, such as the Chairman of the Council of the Guardian, Ayatollah Jannati. On the occasion of the anniversary of the Revolution in February 1999, he declared that the fatwa remained: "valid, regardless of what has been said" (cited in Al Hayat 20 February 1999).

The election of Mohammad Khatami and the coming to power of the Reformist faction made the European public and the world change their view of the political system in Iran. The Iranian political elite were now seen as being divided between Conservatives (“the bad guys”) and Reformists (“the good guys”). Hope rose that there really was a possibility of a change in the political system in Iran.

In April 2000, the German Heinrich Böll Foundation organized a conference, inviting only reform oriented Iranians as representatives of a new progressive Iran. Invited were, among others, Hassan Yussefi-Eshkevari and Akbar Ganji. Upon return to Iran many participants at the conference were put in jail. Another example is the communication of the European Commission to the European Parliament and the Council, “EU Relations with the Islamic Republic of Iran” (7 February 2001). While this communication stressed the hope that Iran was a potential partner for stability in the region (this statement was also made by President Clinton after the parliamentary elections in Iran in 2000), it also claimed that progress in the reform process was a precondition for improving relations with the EU. The link between reform and cooperation made the Iranian government suspicious. It understood it in the sense that the EU supported the reformist movement in Iran, and also considered this movement as the only suitable partner for dialogue (Reissner 2000: 140; Reissner 2006: 119). During the second phase

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of Khatami’s presidency the nuclear issue became a serious diplomatic obstacle to relations between Iran and the EU. When the Iranian presidential elections took place in 2005 the EU hoped that Hashemi Rafsanjani would win. The chances for dialogue on Iran’s nuclear program seemed to be greater with Rafsanjani as President than with Mahmoud Ahmadinejad. But, Ahmadinejad won the elections and very soon made clear his opinion on Iran’s right to enrich uranium and develop nuclear weapons.

6.5 Iran-European Union Relations since Ahmadinejad’s Presidency (2005-)

On 11 April 2006 President Mahmoud Ahmadinejad told the public that Iran had joined “the club of nuclear countries.” This was “a very historic moment,” he said. In a pilot test Iranian scientists had successfully enriched uranium. This would bring Iran closer to becoming self-sufficient in nuclear fuel for its power plants. Ahmadinejad openly stresses Iran’s right to develop nuclear weapons, especially as those countries having them have no intention of getting rid of them.

In an interview with the German weekly journal Der Spiegel, in May 2006, President Ahmadinejad stated:

“The IAEA was also established to promote the disarmament of those powers that already possessed nuclear weapons” (cited in Aust et al 30 May 2006).

In his speech at the UN General Assembly, in September 2006, he said:

“Some powers proudly announce the production of second and third generations of nuclear weapons. What do they need these weapons for?”

In August 2006, President Ahmadinejad remarked that:

“How can the Iranian nation give up its obvious right to peaceful nuclear technology, when America and some other countries test new atomic bombs each year?”

And Iranian chief negotiator Larijani stated at the beginning of May 2006:

“There must be a balance between the rights and the obligations stemming from the NPT. It is not fair that we should have all the obligations but not enjoy the rights.”

Though Iran might make use of this discourse for its own advantage, it cannot be denied that there lies some truth in the words of President Ahmadinejad and Ali Larijani, which makes it difficult for nuclear powers, especially, to promote the non-proliferation of weapons of mass destruction (WMD) in the World, in general, and in Iran, in particular (Harrison 18 January 2006). As Ramazani notes (11 February 2007), Iran also sees a breach of earlier contracts signed between Iran and Western countries during the Mohammad Reza Shah period:

“Tehran’s insistence on enriching uranium on its soil under the terms of the NPT stems from the fact that, after the Iranian Islamic revolution in 1979, Western powers, including the US [and also Germany and France], breached contracts they had signed for Iran’s nuclear development.”

In Iran, the nuclear debate is part and parcel of the overall debate on the country’s role in world politics after the Cold War. The discussions among the Iranian political elite seem to cut across different political factions. Some Conservatives are against the possession of WMD, while some Reformists argue that the development of nuclear weapons is Iran’s right and a national security imperative. In general, as Ehteshami argues (2006: 79-81), five main arguments in favor or against the possession of nuclear weapons can be distinguished:

(1) The first argument for WMD-possession is based on the rights of states who are signatories to the NPT. According to this view, Iran has the right to acquire nuclear technology and know-how for peaceful means. Opponents emphasize the costs of the nuclear program and its environmental risks;

(2) The second argument is that Iran will be taken seriously as a dominant actor in the Persian Gulf region only if it has an extensive nuclear research and development (R&D) program. Opponents argue that, as the cases of the Soviet Union and North Korea have shown, the technological spin-offs from nuclear research are only minimal. Furthermore, the majority of the experienced Iranian scientists live abroad and, therefore, there would be no positive national impact from the benefit of this highly sensitive research.

(3) The third argument in favor of developing nuclear technology is based on Iran’s geopolitical security environment: Iran’s neighborhood is insecure and inter-state relations are uncertain. Opponents respond that Iran is not confronted with any serious threats. Since the Iraqi threat is gone, there are no enemies around who justify Iran’s possession of nuclear weapons;

(4) The fourth argument contradicts the third argument, holding that in the post-Cold War and post-9/11 era, only the possession of nuclear weapons guarantees Iran’s independence and sovereignty. Opponents argue, the deployment of nuclear weapons would have an adverse affect on relations with neighboring countries and would make Iran more vulnerable to attacks;

(5) Finally, the fifth argument is related to national energy resources. Proponents as-
sume that with the construction of nuclear power plants, Iran would become independent of outside energy suppliers. Opponents argue that Iran, with its status as one of the world’s largest untapped sources of natural gas, could hardly convince the world of the necessity of nuclear technology to secure energy supplies.

There is no consensus among the Iranian political elite on the nuclear issue. The outcome of the debate will depend as much on the balance of power between the different political factions in Iran as on how Western powers will react to Iran’s nuclear ambitions (Baheli 2005).

According to Chubin (2006: 28), the primary motive for Iran to develop nuclear technology is to legitimize the political regime. The nuclear debate is part and parcel of the general debate on where Iran is heading in the future, and how it should interact with other countries. It also reflects the quest of Iran to be treated with respect regionally and internationally. Polls show that about 80 percent of the Iranians support Iran’s right for access to nuclear technology as they consider it an important factor to improve Iran’s international scientific status. What people dislike is how the debate is presented by the political elite in Iran. The Iranians do not want to complicate international relations in a time when the country has great economic problems, as discussed in chapter 3. Confrontation and international isolation is therefore not in the interest of the Iranian people (Chubin 2006: 28-29). Since the transfer of the Iranian nuclear dossier to the UN Security Council in February 2006, the issue has become internationalized. Not only is the US now openly involved, but so are Russia and China. A possible solution might be the Russian proposal, first suggested in August/September 2005, to enrich Iranian uranium in Russia and ship it back to Iran. There were some favorable Iranian reactions to this suggestion.

The Iranian government probably fears that if it gives in on the nuclear issue, other demands by the EU and the US might follow, such as on human rights, terrorist groups, recognition of Israel, or regime change. As Ahmadinejad states:

“If you give in on the nuclear weapons program, they’ll ask about human rights. If you give in on human rights, they’ll ask about animal rights.”

This could have a negative effect on the negotiations on the nuclear issue (Harrison

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179. See also the interview with Larijani “Tarh-e Rusiye Ghabel-e Mozakere ast” (The Russian proposal is worth negotiating), Iranian Students News Agency, (6 February 2006).

18 January 2006; Sagan 2006). A possible solution could be a clear statement by the US that it is not aiming at regime change in Iran.

Iran began its first nuclear power program in 1957, with the signing of the Atoms for Peace Program between Iran and the US (Bowen and Kidd 2004: 263). In 1967, the first nuclear facility was established at Tehran University. The research reactor came from the US and West Germany. In 1968, Iran signed the Non-Proliferation Treaty (NPT), according to which Iran had the right to develop research, production and use of nuclear energy for peaceful purposes, and to have access to equipment, materials, and scientific and technological information.

Construction of the Bushehr power plant began in 1974 by the West-German Siemens Company and its subsidiary Kraftwerke Union (Hibbs 1991). In the 1970s, Iran bought reactors from Framatone (France), Kraftwerke Union (Germany), and via the Atomic Energy Commission (US). Iran also signed an agreement with South Africa to exchange uranium with financing a uranium-enrichment plant. The Iranian political elite under the Shah envisioned to have built 20 nuclear plants by the beginning of the 1990s (Cottrell 1978: 428).

When the Islamic revolution took place two nuclear reactors, the one at Bushehr and one on the Persian Gulf, had almost been completed. Had the Shah's regime not been overthrown by the Islamic revolution, Iran would probably now be one of the states with nuclear weapons, according to Tarock (2006: 652).

After the revolution and during the Iran-Iraq war, the Iranian nuclear program was brought to a halt. Germany refused to complete the power plant, as it feared that Iran would try to develop nuclear weapons (Hibbs 1991). After the end of the Iran-Iraq War in 1988 the nuclear program was restarted with Russian and Pakistani assistance (Bowen and Kidd 2004: 263). In 1995, Russia and Iran signed an agreement worth US$800 million to complete construction of the Bushehr nuclear power plant (Cirincione 2002: 257–60).

The US demanded from Russia that they abandon the Bushehr project (US Department of Defense, January 2001). Although Russia argued that the reactor was not a proliferation risk, it partially gave in to the US when it dropped a plan to supply a uranium enrichment facility to Iran (Cirincione 2002).

China is another important factor in the Iranian nuclear energy program. According to an April 1996 US Department of Defense report, in 1991 China supplied Iran with 1,000 kilograms of uranium hexafluoride, 400 kilograms of uranium tetra fluoride, and 400 kilograms of uranium dioxide. The report concludes that, at that time, China was Iran’s main source of nuclear assistance (US Department of Defense January 2001).

According to IAEA investigations Pakistan has also played a significant role in the Iranian nuclear energy program, providing Iran with technology and assistance for centrifuge enrichment (Rashid and Gedye 2004: 13). Although the Pakistani President, Pervez Musharraf, has denied the official authorization of the transfer (Associated Press 26 December 2003), it is believed that Pakistani intelligence services and sen-
ior military commanders, among them Musharraf, had been fully aware of the deal (Rashid and Gedye February 2004: 13). The IAEA also investigated the involvement of several other countries in Iran’s nuclear energy program, concluding that companies in Germany, Switzerland, Austria, and other Western European countries are involved (Associated Press 26 December 2003). Although most European countries act in accordance with the prohibition on nuclear trade with Iran, as introduced by the US in the 1980s, the involvement of European firms in the Iranian nuclear energy program shows how difficult it is to control the trade in nuclear-related technologies.

6.6 Summary

The overall changing foreign policy orientation of Iran since the Islamic revolution also influenced relations between Iran and the EU, from an ideologically driven foreign policy orientation in the first ten years under Khomeini’s leadership, to a more pragmatic approach under the presidents Rafsanjani and Khatami and finally a confrontational – at least in rhetoric – approach since Ahmadinejad has become President. Iran considers the EU a necessary partner for economic reform, especially since relations with the US have been put on hold.

In the first ten years after the revolution, economic relations established before the revolution were continued, although the US put a complete trade ban on Iran and demanded that the EU do the same. After the hostage taking of US embassy diplomats and staff in Tehran, EU member countries became important for Iran, in diplomatic and economic terms, to replace the close ties Iran had had with the US before the Islamic revolution. Still, in the beginning, the EU was more cautious towards Iran, firstly, due to the Iran-Iraq War, in which most countries sided with Iraq, but also because of the EU’s alliance with the US in the Cold War context.

Other factors that complicated the relationship between Iran and the EU were Iran’s support for Hezbollah in Lebanon and the hostage taking of Westerners in Lebanon by Hezbollah; the fatwa against Salman Rushdie; and the killing of Iranian dissidents in Europe.

From 1989, economic and diplomatic relations between Iran and the EU entered into a new phase. Internally (in Iran), the death of Khomeini, the economic crisis, Rafsanjani’s rejection of the “Export of the Revolution” and externally, the changing international environment, due to the end of the Cold War impacted on the rapprochement between the two. The EU was seen by Iran as a valuable source of foreign loans, credit, and investment to implement Iran’s economic restructuring program. Both sides agreed that finding a common ground based on mutual interests was more important than the differences. Still the improving relations between Iran and the EU were hampered by several issues, especially the Mykonos case and the Rushdie affaire.

When Mohammad Khatami became president in 1997, the improved economic and partial diplomatic relations between Iran and the EU were continued. Khatami’s call for a “Dialogue of Civilizations” opened the way to the deepening of economic and dip-
diplomatic relations with the EU, without the EU having to appear indifferent to US concerns. The coming to power of the Reformist faction in Iran made the European public and the world change their view of the political system in Iran. The EU stressed that progress in the reform process was a precondition for improving relations with the EU. The Iranian government was furious as it believed that the EU would only support the reformist movement and considered this movement as the only suitable partner for dialogue. Iran wants to be treated as an equal partner and parts of the Iranian political elite will be suspicious of the EU as long as it keeps supporting the Reformist political forces in Iran, while neglecting the Conservative and neo-Conservative political forces.

Furthermore, the nuclear issue has in the last few years overshadowed the relations between Iran and the EU, even more so since Ahmadinejad has become president. In Iran, the nuclear debate is part and parcel of the overall debate on the country’s role in world politics after the Cold War. The discussions among the Iranian political elite seem to cut across different political factions. Some Conservatives are against the possession of WMD, while some Reformists argue that the development of nuclear weapons is Iran’s right and a national security imperative. Thus, there is no consensus among the Iranian political elite on the nuclear issue. During the reign of Mohammad Reza Shah, Western European and US firms supported the nuclear program with equipment and know-how. It is believed that, had the Islamic revolution not taken place, Iran would now be among the countries that are in the possession of nuclear weapons.
Chapter 7
The European Union Policy towards Iran

7.1 Introduction
While chapter 6 analyzed Iran’s foreign policy towards the EU since the Islamic revolution until 2007, this chapter will look at EU policies towards Iran in the same period. It will focus on the four main issues of EU-Iran relations, namely: (1) energy; (2) trade and investment; (3) human rights; (4) the proliferation of nuclear weapons.

As has been explained in chapter 6, the EU has not yet developed a common foreign policy in general and towards Iran in particular. The different member countries sometimes have very different ideas on what should be the foreign policy of the EU, and what policy it should follow with regard to Iran. Most cooperation takes place on a bilateral basis and not within an EU context. That means the EU member countries pursue varying, and sometimes contradictory, interests regarding Iran. This partly explains why the four issues of EU-Iran relations to be discussed have not yet led to constructive results.

In the broadest sense, the EU does not consider economic sanctions an appropriate response to Iran, whereas the US does. The EU argues that only political dialogue could bring about a moderation of Iran’s foreign policies. For the EU, political and economic isolation of Iran would only play into the hands of the conservative and neo-conservative forces in Iran. Furthermore, the EU considers Iran an important potential source of oil and gas resources, and a regional power, playing a prominent role in the stability of the Persian Gulf area.

7.2. The Critical and Comprehensive Dialogue
The EU’s emphasis on political dialogue led to the European Council initiating the “Critical Dialogue” with Iran during the Edinburgh summit in 1992. The European Council of Ministers declared that only a policy of a constructive but “critical” dialogue could be set against Iran’s “domestic human rights abuses, its continued obstruction of the Arab-Israeli peace process, its refusal to revoke the fatwa against Salman Rushdie, and its sponsorship of international terrorism” (European Council in Edinburgh 1992).

The EU hoped that through the Critical Dialogue it could strengthen the more moder-
ute factions of the Iranian political elite, and pave the way for Iran to be integrated with the international community. The European Council’s conclusions at the Edinburgh summit stated:

“Given Iran’s importance in the region, the European Council reaffirms its belief that a dialogue should be maintained with the Iranian Government. This should be a critical dialogue which reflects concern about Iranian behavior and calls for improvement in a number of areas, particularly human rights, the death sentence pronounced by a fatwa of Ayatollah Khomeini against the author Salman Rushdie, which is contrary to international law, and terrorism. Improvements in these areas will be important in determining the extent to which closer relations and confidence can be developed” (The European Council 11-12 December 1992: 37).

But, as could be soon very clearly seen (and is elaborated on below) the economic part of the Critical Dialogue has turned out to be much more effective than discussions on the proliferation of nuclear weapons, the Middle East peace process, or human rights (Moshavi 2003: 294).

The Critical Dialogue came under harsh criticism by the US and Israel. From the point of view of the US government, the Critical Dialogue was not a serious policy strategy and would be unable to bring about any significant changes in the behavior of Iran. At the same time, it undermined the US efforts on sanctions and gave European firms a competitive advantage over their American counterparts (Indyk 1993: 7). A senior US official said:

“critical dialogue means that the Europeans and the Iranians get together, and criticize the Americans” (cited in Timmerman 10 June 1996)

At the same time, the US imposed sanctions on Iran through the ILSA (see chapter 5.4.3), prohibiting not only US but also non-US companies from investing in the Iranian oil and gas sector. The EU threatened that, if Washington would put the ILSA in effect, they would lodge a complaint against the US with the World Trade Organization (WTO).182 The objection of the EU to the ILSA could be noted through various comments made both by EU officials and semi-officials during international meetings. During a visit to Tehran, the French Foreign Ministry Director General for the Middle East and North Africa, Jean-Claude Cousseran, assured the Iranian government of

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182. In November 1997 the EU handed in a formal complaint on the US law at the WTO, based on two grounds: first, the law runs counter to the principle of free trade on which the WTO is built; and second, any punitive action under it would be a violation of international law. The two parties agreed during a meeting in London in May 1998, that the EU would continue its support for the US on combating international terrorism and the US would grant a presidential waiver to Total, as well as to other European oil companies that intended investing in the Iranian oil and gas industry. As Tarock notes (1999: 50-51) in the history of the IRI this was truly the strongest position the EU had taken in favour of the IRI against the US.
support for the country becoming one of its major diplomatic and trading partners:

“France is opposed to the idea of isolating the Islamic Republic and desires to see Iran emerge as one of its major associates within the framework of its foreign policy” (Kayhan Havai 12 February 1997: 24).

The French Prime Minister, Lionel Jospin, commented about the US reaction of initiating countermeasures against the Total – NIOC deal (see chapter 6.3) as follows:

“No one accepts the idea that the Americans can make laws that apply to a global scale;”

and that


The German Economic Minister, Günter Rexrodt, stated, that the US threat of

“imp[osi]ng extraterritorial sanctions against European companies investing in these countries [Iran and Libya] is the wrong path” (The Guardian Weekly 11 August 1996).

Sir Leon Britain, the EU trade chief, declared:

“The Americans are entitled to disagree with us [on trading with Iran]. What they are not entitled to do is to impose [on us] their will.”

All EU Foreign ministers, he said, supported his stance at a meeting in Luxembourg in September 1997 (Associated Press 6 October 1997). The EU member countries’ reactions to the sanctions are another sign of the different approach followed by the EU, to that of the US, regarding Iran.

With the Treaty of Amsterdam agreed upon in 1997, and ratified in 1998, the role of the European Commission in EU policy formulation was strengthened at the expense of the national governments. In general, the Commission favored dialogue with Iran, but it noted also that the EU’s member countries would remain the final decision-makers on how to proceed with Iran. And this was not so easy.

While Germany and Britain wanted to continue cautiously, France and Italy pushed for a more rapid normalization of relations (Financial Times 24 February 1998). Germany and the Netherlands urged that any agreement reached with Tehran should be in accordance with improvements of the Iranian human rights record. Britain supported this view but, additionally to that, demanded to include issues such as terrorism and nuclear weapons. This debate resulted in two important changes in the EU policy towards Iran:
The Iranian political elite

The contingency of expansion of economic ties with progress on the political front;

(2) Making the problem around the proliferation of nuclear weapons a top priority on the EU’s Iran agenda.

These goals resulted, in 1998, in the so-called “Comprehensive Dialogue” replacing the Critical Dialogue. The distinction between the Comprehensive and the Critical Dialogue is a more structured and institutionalized dialogue on two levels:

(1) A coverage of a wider range of issues at the global level (e.g. WMD proliferation and terrorism); at the regional level (e.g. Iraq and the Middle East Peace Process); and at the bilateral level (e.g. drugs and refugees);

(2) The creation of EU-Iran Technical Working Groups to coordinate cooperation in different sectors: the Working Group on Energy; the Experts Meeting on Drugs; the Experts Meeting of Refugees; the Working Group on Trade and Investment; and the Iran-European Union Energy Policy Dialogue (Calabrese 2004: 4; EU Commission 2001: 71).

In the following section the second of these levels will be discussed.

7.3 Iran-European Union Energy Policy Dialogue

The oil industry has been Iran’s main source of income for the last century. In 1901 the Englishman and entrepreneur William Knox D’Arcy received a 60 year concession from the Persian Shah Muzafar ed-Din to search for oil in Iran. In 1908, he found oil and set up the Anglo-Persian Oil Company (APOC) (Karbassian 2000: 629; Fateh 1979: 250-259). Due to the change from coal to oil of British ships, and because of British strategic interests in oil, the British government bought majority interests in the APOC. Thus, Britain gained direct control of APOC (Fateh 1979: 262-265). When Persia was renamed Iran, in 1936, the APOC became the Anglo-Iranian Oil Company (AIIOC), today known as British Petroleum (BP). The Iranian oil industry was nationalized in 1952 by Prime Minister Mosaddeq and received the name National Iranian Oil Company (NIOC) in 1953, Mosaddeq was overthrown by a coup with the help of the US and Britain. Before the nationalization of the oil industry about half of the AIOC had been owned by Britain. After the coup, between 1954 and 1979, the Iranian oil industry was operated in conjunction with a consortium of international oil companies (Karbassian 2000: 629). The profit share of this consortium was 75 percent to

183. On the oil industry in Iran during the Mohammad Reza Shah period see the following important books Karshenas, M. Oil, State, and Industrialization in Iran, (Cambridge: Cambridge University Press, 1990); Fesharaki, F. Development of the Iranian Oil Industry: International and Domestic Aspects, (New York: Praeger, 1976).

184. For more information on the NIOC see its website http://www.nioc.org

185. The oil consortium consisted of: British Petroleum Company (40 percent), Shell Petroleum N.V. (14 percent), Gulf Oil Corporation (7 percent), Mobil Oil Corporation Standard Oil (7 percent), Company of California (7 percent), Exxon Corporation (7 percent), Texaco Incorporated (7 percent), Compagnie Française des Pétroles (7 percent), The Iricon Group (American Independent Oil Company, Atlantic
25 percent to the advantage of Iran. Additionally, the international oil companies had to pay the exploration costs. Thus, the former profit share system of 50/50 percent was abolished (Alam 1993: 107). After negotiations with the oil consortium the agreement of 1954 was changed on 20 March 1973, giving Iran control of its own oil industry. That means, according to the new agreement, the Iranian political elite controlled production, marketing, and set the price of oil. The change of the earlier agreement of 1954 in favor of Iran was made possible through the collective agitation of the Organization of Petroleum Exporting Countries (OPEC), which had been established in 1960 by Iran, among others (Amineh 1999: 240).

As has been discussed in chapter 3.2.1, after the Islamic revolution the international oil consortium that had been established by Mohammad Reza Shah was abolished and all its tasks were transferred to NIOC. Also, all joint-venture oil companies were handed over to NIOC. NIOC came under the supervision of the Ministry of Oil, which was set up in 1979.

The security of energy supply is of interest to all major players in the international political scene. It was identified as such by US national security planners in the 1970s (Armitage 2002: 4-7), and in recent years has made a spectacular return to the international political agenda. Major energy consuming countries and regions, especially the US and the EU, but also fast growing countries like China and India, as has been elaborated on in chapter 5.5.2, are concerned about the future of security of energy supply (Andrews-Speed, Liao, Dannreuther 2002).

The EU Green Papers (2001 and 2006) on security of supply express the concerns that the oil and gas supply in the near future will depend on a limited number of oil and gas producing countries, and that import dependence requires an improvement of economic relations with key producer countries. The EU member countries (EU 25) together have about 0.6 percent of the world’s proven oil reserves, 2.0 percent of natural gas reserves, 4.0 percent of proven coal reserves, and 18.0 percent of electric generating capacity. The EU is a net importer of energy (Energy Information Administration January 2006). According to the European Union Energy Outlook to 2020 (1999), by 2020 the EU will import two-thirds of its energy consumption, most of which will be imported from Russia, Norway, Africa, and the Middle East. Oil accounts for 40 percent of the total EU energy consumption, gas for 24 percent. The consumption of gas has been increasing at the expense of coal. The share of coal consumption declined between 1991 and 2003 from 20 percent to 13 percent (Energy Information Administration January 2006). The World Energy Outlook 2005 of the International Energy
Agency states that gas and renewables will increase their share in the energy mix, at the expense of nuclear power, coal and oil. Between 2003 and 2030, the share of gas in the EU’s energy consumption will rise from 23 percent to 32 percent. In 2003, 6.5 percent of the energy consumed was renewables (table 7.1). By 2030, this amount will have risen to 12 percent. The share of oil in the energy mix in the same period will decline from 38 percent to 36 percent, of coal from 18 to 13 percent, and of nuclear energy from 15 to 7 percent (IEA 2005).

Table 7.1 Share of Energy Sources in European Union Consumption, in percent, 2003-2030

<table>
<thead>
<tr>
<th>Energy source</th>
<th>2003</th>
<th>2030</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil</td>
<td>38</td>
<td>36</td>
</tr>
<tr>
<td>Gas</td>
<td>23</td>
<td>32</td>
</tr>
<tr>
<td>Coal</td>
<td>18</td>
<td>13</td>
</tr>
<tr>
<td>Renewables</td>
<td>6.5</td>
<td>12</td>
</tr>
</tbody>
</table>


Iran is not yet a major energy supplier to the EU. Although Iran stands fourth among the main oil exporters in the world, and oil accounts for about 80 percent of the country’s exports, oil imports from Iran account for only 5 percent of the EU’s consumption (Moradi January 2006). However, it has to be expected that Iran will become one of Europe’s most important sources of energy and transit country as, in addition to its huge oil and gas resources, it is the shortest and most economical transit link between the oil rich Caspian Sea region and Europe (Amineh 2003).

In May 1999, a Working Group on Energy was established between Iran and the EU in Tehran. The Working Group meets once a year either in Tehran or in Brussels. Iran also became an observer of the Commission-funded INOGATE\(^{187}\) (Inter-state Oil and Gas Transport to Europe) with the possibility of becoming a full member. For Iran, due to the sanctions imposed by the US, Europe is the second best option to deliver FDI, modern technology, and know-how to Iran. Since the revolution, Iran’s oil and gas industry has suffered heavily from underinvestment. Despite the sanctions laid upon Iran by the US, Iran and European countries have concluded several oil contracts in the last years. The main buyback contracts with European oil firms include:

1. The Cheshmeh-Khosh field awarded to Spain’s Cepsa for $300 million. In January 2004, it was re-awarded to state-owned Central Iranian Oil Fields Company (CIOFC). Cepsa withdrew from negotiations in December 2003 when no agreement could be reached on development costs and buyback terms. But, Cepsa could still be involved in the project in some way;

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187. For more information on the INOGATE Program see its website http://www.inogate.org
A 1 billion dollars, 5 1/2-year buyback contract, signed by ENI in late June 2001, to develop the Darkhovin field; TotalFinaElf, Shell, Eni and BP are bidding to develop the Ab Teymour field.

A contract of 2001 with the Italian AJIB (an affiliate of ANI) to develop the Darkhoen oil field, with a total investment of 540 million dollars and a buyback of 920 million dollars;

The 2000 contract with a consortium consisting of AJIB and the Iranian Petropars to develop phases 4 and 5 of South Pars gas field worth 2 billion dollars. The total buyback is 3.8 billion dollars;

A buyback contract to develop the offshore Balal field, signed in April 1999, between Iran and Elf. The field was turned back over to NIOC in January 2003 after the field had reached its contract designated level of 40,000 bbl/d;

The March 1999 contract with a consortium of French Elf Aquitaine and AJIB, with a total investment of 540 million dollars and a buyback of 1 billion dollars;

A US$2 billion deal between Total and NIOC to explore the South Pars gas field on 29 September 1997. NIOC estimates that South Pars has a gas production potential of up to 8 billion cubic feet per day (Bcf/d);

The 1995 contract between French Total and the NIOC to develop the Sirri A and E oil fields. It has an estimated investment of 610 dollars with a buyback of 500 million dollars;

The 1991 contract with Shell to develop Soroush and Norouz oil fields with a total investment of 799 million dollars and a buyback of 1.6 billion dollars (Hasan-Beygi 2002; EIA August 2006; EIA February 2000).

The Working Group on Energy held its third meeting on 19 October 2002 in Tehran. It followed two earlier meetings, on 18-19 May 1999 and on 28 March 2001, held in Tehran and in Brussels respectively. Director General of Energy and Transport in European Commission, Francois Lamoureux, said the committee meeting was important to strengthen ties between Iran and the EU:

“[T]he EU is ready to cooperate in transfer of technical knowledge to Iran in various areas, notably the renewable energy resources, more efficient fuel consumption and in transportation sector.”\(^\text{188}\)

During the meeting, the EU and Iran signed two Memoranda of Understanding on energy affairs, one of which was on the third joint session of the Iran-EU expert committee and the possibilities of expanding bilateral ties. The other agreement concerned the creation of an Energy Cooperation Center (ECC). The ECC was opened on 21 October 2002. The EU pays Euro 1.7 million to finance the center’s budget. The ECC

\(^{188}\) Cited in “Iran-EU link two agreements in energy sector,” Pysvand’s Iran News, (19 October 2002), http://www.netnative.com
has several objectives: to investigate the possibilities for further energy cooperation; to exchange ideas on experiences with non-nuclear energy technologies; training; the identification of priority projects; and technical assistance for introducing non-nuclear technologies in Iran. The ECC has a staff of 20 people. It is co-managed by the European Commission and Iran.189

Further meetings of the EU-Iran Working Group on Energy and Transport were suspended because of Iran’s nuclear program. The talks were reopened again in December 2005 when the Working Group held its fourth meeting in Brussels. During the meeting the Iranian Deputy Oil Minister for International Affairs, Mohammad Hadi Nejad-Hosseinian, met Ria Kemper, Secretary General of the Energy Charter Secretariat (ECS)190, to discuss developments in the energy sector in the Eurasian region. Kemper stressed that the ECS favors greater energy cooperation with Iran and that it promotes the full membership of Iran to the ECS. Currently Iran has only observer status (IRIB 26 December 2005).

The planned Nabucco pipeline is a more recent indication of strengthening energy ties between the EU and Iran. If construction of the pipeline begins in 2008 the Nabucco pipeline191 could start operating in 2011, transporting gas from the Caspian region, Iran, Iraq, and Egypt via Turkey, Bulgaria, Rumania, and Hungary to Austria. By 2020, the pipeline could transport 25.5 to 31 billion cubic meters of Caspian gas to Europe annually. The Nabucco pipeline should lower EU dependence on Russian gas. However, momentarily the future of the pipeline is no longer clear, since Russia has signed agreements with Turkmenistan and Kazakhstan on the transportation of their gas. Furthermore, Iraq’s future remains very unclear. This puts into question whether Iraq could be considered a major supplier, and whether it could deliver gas through the Nabucco pipeline. The five shareholders of the Nabucco pipeline project are OMV (Austria), MOL (Hungary), Transgaz (Romania), BOTAS (Turkey), Gaz de France and Total (France), and E.ON Ruhrgas (Germany) and RWE (Germany). It is also possible that Russia’s Gazprom will be asked to join the Nabucco project.192

On 14 July 2007 Turkey and Iran signed a Memorandum of Understanding (MoU), in Ankara, on the export of Iranian gas via Turkey to Europe and Turkmen gas to Europe via Iran. There was also an agreement on the development of the South Pars gas field on a buyback basis. The deal could take the Turkmen gas card out of Russian


190. The Brussels-based ECS is an international forum for energy cooperation, in which 1 European and Asian governments participate. The Energy Charter Treaty was signed in December 1994. Its aim is to strengthen the rule of law with regard to energy issues to reduce the risks of energy investment and trade. See for more information the website http://www.encharter.org.

191. For more information on the Nabucco pipeline see http://www.nabucco-pipeline.com

hands as it came shortly after Russia signed several agreements with countries in CEA and the Italian oil company ENI, to prevent Turkey becoming the main gateway for oil and gas exports to Europe. Russia’s energy agreements with CEA countries are a serious threat to EU and Turkish aspirations of reducing their reliance on Russian gas. In the meantime, it remains to be seen how the US will react to the deal between Iran and Turkey, the latter of the two is considered a close ally in the region. The US thinks that Turkey should follow its sanctions on Iran. While Turkish rapprochement with Iran irritates the US, says Cenk Pala, Director General of Strategic Relations of state-owned Turkish Pipeline Company (BOTAŞ), Turkey also demands that Washington speed up Iraqi gas transportation via Turkey to Europe (Today’s Zaman 16 July 2007).

Iran remains an interesting source for diversification. Therefore a moderate tone towards Iran, and more constructive efforts, could benefit the EU in establishing a greater economic presence in Iran, or connect its resources to the Baku-Tblisi-Ceyhan pipeline, and perhaps the Nabucco pipeline. The EU could get its own gas contract with Iran, although this could be contrary to Russia’s economic and geopolitical interests in Europe (Umbach 2006).

7.4 Iran-European Union Working Group on Trade and Investment

Before the Iranian Islamic revolution, FDI in Iran was successfully encouraged. Foreign investments mainly took place in the form of joint ventures. According to a law passed in 1954, all foreign investment was guaranteed and protected. This law encouraged many foreign firms, in almost every economic field, to invest in Iran. In 1966 an automobile industry was set-up. The introduction of the assembly line had critics in Iran, especially among pro-communist forces, who argued that it was not indigenous and created economic dependency on foreign suppliers. To appease the communist forces in Iran a steel mill was constructed in Isfahan, with the help of the Soviet Union. The majority of firms that invested in Iran, however, were American (Karbassian 2000: 630).

Before the revolution, Iran had good economic and diplomatic relations on a bilateral basis with EU member countries. But there were only minor economic contracts with Iran at the EU level. In 1963, Iran and the EU signed the first trade agreement. This trade agreement was extended twice, in 1972 and 1978, but was abolished after the Iranian Islamic revolution (Posch May 2006: 99-100), while bilateral economic relations continued, especially between Iran and Germany, and Iran and Italy (see chapter 3.2.2). Since the ILSA, the economic vacuum in Iran left by the US has been filled by European companies. According to an EU Commission Report, the EU is Iran’s main trading partner, in terms of both imports and exports. In 2004, the EU accounted for 44 percent of total imports to Iran. Among EU member countries Italy, Germany, and France are Iran’s first, second, and third main trading partners respectively. The three EU member countries alone account for about 65 percent of Iran’s total trade with the EU (EUROSTAT 2006, 2005). Iran is the country with the greatest export guarantees for Germany, totaling Euro 5.5 billion, followed by Italy, Euro 4.5 billion, and France,
Euro 1 billion.\(^{193}\)

With the election of Mohammad Khatami as president, in 1997, negotiations on trade relations between Iran and the EU were started. In 2001, the European Council requested that the European Commission prepare a framework for a Trade and Cooperation Agreement (TCA) between the EU and Iran (Posch 2006: 100; Quille & Keane 2004; European Council Conclusions 14 May 2001). The EU Commission received a mandate for such an agreement at the Luxembourg Council on 17 June 2002 (European Council Conclusions 17 June 2002). This mandate was linked to a political dialogue on issues such as human rights, WMD, and counter-terrorism. Institutionally, from the EU side, the negotiations over a TCA were led by the Commission, while those on a Political Dialogue Agreement (PDA) were led by the EU presidency, with both negotiations influencing one another (Figel 12 October 2005). The EU made clear, several times that the TCA and the PDA were inseparably linked:

“The Council recalled that in deciding to open these [i.e. TCA] negotiations it expected that deepening of economic and commercial relations between the EU and Iran should be matched by similar progress in all other aspects of the EU’s relations with Iran. It identified in particular the need for significant positive developments on human rights, non-proliferation, terrorism and the Middle East Peace Process.”\(^{194}\)

In the context of the Comprehensive Dialogue, the EU member countries disputed whether the time was right to conclude a TCA. Nine countries (Spain, Belgium, Italy, Greece, Austria, Finland, Sweden, Ireland, and France) favored a trade agreement under EU competence, which would be subjected to ratification by the European Parliament. The Netherlands, Germany, Britain, Portugal, and Luxembourg preferred an agreement, which combined both economic and political issues, and needed ratification both by the European and national parliaments (See Financial Times 13 May 2002; Agence France Presse 13 May 2002; EUObserver.com 15 May 2002).

These two approaches are a reflection of different interests, power disparities, and disagreement on what tactic to follow with regard to Iran. Economic interests play a role here but are not the driving force behind a certain standpoint. For example, while Italy\(^{195}\) and France – Iran’s first and third largest trading partners respectively – fa-


\(^{194}\) On this conclusion see the General Affairs and External Relations homepage at http://europe.eu.int/comm/external_relations/iran/introgac.htm

\(^{195}\) In a hearing on the situation in Iran before the Foreign Affairs Committee of the Chamber of Deputies on 28 January 2004 the Italian Minister of Foreign Affairs Franco Frattini stated the following: “I can briefly say that there is great demand for ‘Italy,’ for the confirmation and strengthening of new trade partnerships between Italy and Iran. Highly prestigious sectors such as infrastructure and entrepreneurial development were already the object yesterday of a demand for ‘Italy’ to which we obviously will have to respond,” http://www.iranwatch.org.
vored the first approach (a trade agreement under EU competence and subject to ratification by the European Parliament), Germany (Iran’s second greatest trading partner) and Britain (that had increased exports to Iran) both supported the second approach (an agreement combining both economic and political issues, that needed ratification both by the European and national parliaments), arguing that the EU should negotiate with caution. Other aspects, that probably were important, were the impact a success or failure to conclude an agreement with Iran would have on the development of a common EU foreign policy, as well as the question of the extension of competences within the EU (Calabrese 21 July 2004). The question whether the EU Commission or the European Council will be at the heart of a common EU foreign policy could lead to two very different outcomes:

(1) A Europeanization of foreign policy;

(2) An ad hoc and re-active approach to foreign policy.

In a report to the Council of Ministers of 8 February 2001, the European Commission notes on the EU’s interests in economic cooperation with Iran:

"the European Union has political as well as economic reasons in its expansion of ties with Iran. Iran is a major source of oil and gas in a strategic area, in addition to having considerable interests in the neighboring regions such as Central Asia. Iran can be a prospective regional economic partner with considerable potentials and can present major trade and investment opportunities."

At the Luxembourg Summit, in June 2002, the EU decided in favor of the second option, the agreement that combined both economic and political issues, and also needed ratification both by the European and national parliaments. Since then, European officials have declared that they will treat political and economic issues, for practical reasons, separately, but have emphasized that nevertheless both are integrally linked. As has been said by the EU External Affairs Commissioner, Chris Patten, in February 2004 in the European Parliament:

"The Iranians know perfectly well that all those issues – political, nuclear, trade and human rights-are umbilical linked. We cannot simply ignore problems in one area and think that we can move forward rapidly in all others."196

The EU policy shift to “cross-pillar coherence” was also favored by the US (Calabrese 2004: 5). The first round of talks on the TCA was held in Brussels on 12 December 2002 (EU Presidency and Commission 12 December 2002).

The EU argued in one of its internal papers in favor of a TCA:

“The conclusion of an economic and trade agreement would be among the alternatives for the expansion and consolidation of ties with the EU. This will remove a whole host of obstacles and limitations in the way of trading with the EU, as well as create new economic and trade opportunities for the Union. Thus the issue of bilateral economic ties within the context of a Trade and Cooperation Agreement referred to in the ratifications of the Council of Ministers in May 2002, is a highly significant matter that could turn out to be a major leap forward in the area of bilateral relations” (EU-Presidency and Commission 12 December 2002).

The talks on a TCA between the EU and Iran were suspended in July 2003 due to Iran’s nuclear program. They resumed in January 2005 as a result of the Paris Agreement (chapter 7.5). The eighth round of negotiations was held on 12-13 July 2005, but was suspended again because of the nuclear issue. Several EU countries declare that the nuclear issue is a risk to trading with Iran (Katzman 2007: 42).

Other obstacles to greater economic cooperation, in terms of trade and investment between Iran and the EU, have to do with Iran’s domestic investment environment, such as: a lack of, or unclear, regulations in Iran; lack of transparency in laws and regulations; an unclear tax system; an insecure investment climate; the treatment of non-native personnel of foreign firms; granting of import permits to foreign importers; and repatriation of investment profits (European Commission 7 February 2001). The fact that EU member countries have not yet found a common ground on how to deal with Iran complicates the expansion and intensification of relations with Iran.

7.5 Iran-European Union Human Rights Dialogue

The Iran-European Human Rights Dialogue was initiated in 2002 with no preconditions and stating “that each party could choose to terminate the dialogue at any time”. Starting on 21 October 2002, the human rights situation in Iran remained on the agenda of following EU Council meetings (for example those of 18 March 2003, 21 July 2003, 13 October 2003, 11 October 2004, and 12 December 2005). The EU presidency and High Representative have commented on the Islamic Republic’s human rights situation on various instances e.g. in the case of the Iranian-born Canadian journalist Zahra Kazemi (who died in prison on 11 July 2003 under un-clarified circumstances) or calling for the permanent release of Akbar Ganji (released from prison on 18 March 2006), and his lawyer Abdolfattah Soltani.197

Until now (December 2007), four rounds of the Human Rights Dialogue have been held, the most recent in June 2004. So far the results have been rather disappointing. Despite a visit of the EU-3 (Britain, France, and Germany) to Tehran on 14-15 June 2004 and proposals by the EU for a fifth round of negotiations, until now the Iranian

government has not agreed on another round of the Dialogue (Council of the European Union 20 December 2005). In its conclusions of 7 November 2005, the European Council showed its disappointment that the Human Rights Dialogue with Iran had come to a halt:

“The Council expresses its deep concern at the serious violations of human rights which continue to occur in Iran. It urges Iran to strengthen respect for human rights and the rule of law. The Council is disappointed that the EU-Iran Human Rights Dialogue has not been held since June 2004, despite repeated attempts on the EU’s part to agree dates for the next round. The Council urges Iran to take steps to resume substantive discussions under the Dialogue and to demonstrate by its actions that it is willing to improve respect for human rights including by fulfilling its obligations and earlier commitments in relation to juvenile executions and by permanently releasing Akbar Ganji and other prisoners of conscience” (Council of the European Union 7 November 2005: 14).

Although the Iranian government did not like the direct criticism of the EU on the human rights situation in Iran, the country has not explicitly withdrawn from the dialogue process. While statements by US authorities would never be accepted by Iran, the EU approach could make at least some impact. Other countries, which cooperate with Iran, such as China, Russia, and other Muslim or developing countries only very rarely, if at all, criticize the human rights situation in Iran (Posch May 2006: 102).

In an internal document the EU describes the human rights situation in Iran, since the election of Ahmadinejad as president, as alarming. Because the Iranian government does not show any intention to continue meetings on the human rights issue with the EU, the EU has now rethought its strategy, namely to engage with the people rather than with the government, and to directly assist human rights activists. It also considers engaging in issues such as drugs, environment, health, and rescue services, which are less politically sensitive, but can help to build-up civil society. The appearance of European political figures on Iranian radio, television, and Internet could be a step in that direction. Some countries in Europe are already active in this field. The EU could also carry out media training programs. Additionally, Iran has been included in the EU’s Erasmus Mundus program to strengthen academic exchange between EU member countries and Iran (published in Dombey 13 February 2007).

7.6 The Proliferation of Nuclear Weapons

The parliamentary elections in Iran in 2000, and Khatami’s re-election as president in 2001, encouraged the EU to establish closer links with the IRI. In 2003, various European Council Conclusions addressed the nuclear issue (for instance Council Con-
clusions of 16 June 2003, 21 July 2003 and 3 September 2003). Whilst, in the early years of the new millennium, the EU became more confident regarding political reform in Iran, it also became more concerned about WMD proliferation and ballistic missile development.

The introduction of the US National Security Strategy in 2002, and the Bush Doctrine of 2003, definitely played an important role in the latter. Furthermore, the war in Iraq, besides other factors such as energy security, presented a challenge to the EU in developing a common security strategy that would be aware of the nuclear threat and present measures to respond to it, yet would not drive a deeper rift between the EU and the US. At the same time, the war in Iraq and the nuclear issue in Iran presented an opportunity for Britain, France, and Germany to strengthen their position within the EU, both individually and collectively (Calabrese 21 July 2004). The nuclear issue in Iran is, thus, not only important with regard to the NPT but also, in a broader sense, it is a test case for EU-US relations and intra-European politics (Calabrese 21 July 2004).

WMD also became the top priority on the European security agenda due to other factors, the most important of which being the expansion of Europe towards the East. With its enlargement, the EU is drawn much closer to the Gulf region and, thus, to Iran. The European Security Strategy approved in Thessaloniki, Greece, on 12 December 2003, is fully aware of this development, stating that:

“[t]he integration of acceding states increases our security but also brings the EU closer to troubled areas” (Council of Europe 12 December 2003).

The European Security Strategy laid the groundwork for the EU’s new strategic concept, identifying three major threats to European security: international terrorism; WMD proliferation; and failed states (Council of the European Union 12 December 2003). Though sounding similar to the US National Security Strategy of 2002, the European Security Strategy is somewhat different, stressing that the reactions to the threats identified should not be limited to military force but should also include political, economic, and civil means. The EU clearly objects to a “preventive strike” and supports the spread of “good governance” rather than “regime change.” Though preferring diplomatic negotiations, it also considers the use of force necessary in specific circumstances. Taking into account the enlargement of the EU towards the East, the proliferation of WMD, in general, and the WMD issue in Iran, in particular, is an important aspect of the European Security Strategy (Haine 2004: 71-72). From 2003, the EU policy on Iran developed parallel to the EU strategy for dealing with WMD proliferation (Council of Europe June 2003 and December 2003). The WMD strategy was developed as a response to the EU divisions regarding the war in Iraq in 2003. It aimed

199. See the European Council Conclusions at http://www.eu.int/comm/external_relations/iran/intro/index.htm
at developing a joint EU approach to dealing with the proliferation of WMD. Important aspects of the strategy that are relevant to the Iran WMD crisis are:

1. The emphasis on political and diplomatic preventive measures to counter the proliferation of WMD;
2. Only turning to coercive measures if political and diplomatic measures have been exhausted, and only if they are in accordance with chapter VII of the UN Charter and international law;
3. A multilateral approach to implement and universalize existing disarmament and non-proliferation norms;
4. Address the WMD problem by addressing the demand side and find political solutions to the question of why a certain country seeks to develop nuclear capabilities (Council of Europe June 2003 and December 2003).

Despite the differences in methodology and the recent controversies over the war in Iraq, the US and the EU have common concerns about Iran's nuclear ambitions, and both consider it necessary to prevent Tehran from acquiring nuclear weapons. They agree that only together they can address the Iranian challenge. Thus, the EU and the US have the same opinion on the full implementation of the Additional Protocol (AP)²⁰⁰ to the Non-Proliferation Treaty (NPT), which Iran signed in December 2003, and that Iran has to respond to all questions raised by the International Atomic Energy Agency (IAEA) regarding its nuclear activities. It is interesting to note that, while the US acted unilaterally in Iraq, it seems to be choosing the multilateral road in Iran. However, more recently, a unilateral military attack by the US on Iran has again become a possibility. Since signing the AP, Iran has come under pressure to explain why it has not informed the IAEA on its uranium enrichment and plutonium separation (the two ways to produce nuclear weapons). Therefore, the US and the EU believe that Iran is developing a nuclear weapons capability. Both Conservative and Reformist members of the Iranian political elite have stressed repeatedly that the country's nuclear ambitions are only civilian in nature (Bowen and Kidd 2004: 257; Fitzpatrick 2006).

In February 2003, IAEA Director General, Mohammed El Baradei, and other IAEA experts visited a nuclear fuel production plant and research laboratory at Natanz (north of Isfahan, in central Iran), and a heavy-water production plant at Arak (southwest of Tehran, in northern Iran). The inspections followed public claims on 14 August 2002 by, Alireza Jafarzadeh, spokesman of the National Council of Resistance of the Mujahedin-e Khalq Organization, that Iran had clandestine nuclear facilities in Natanz and Arak (Rakel 2008 forthcoming). The conclusion of this visit was that Iran had failed to report on its nuclear activities, which it is obliged to do under the NPT (Kutchesfahani 2006: 9). The EU reacted immediately. Shortly after el-Baradei’s visit to Iran, the

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²⁰⁰ The AP requires Iran to inform the IAEA in detail about its nuclear activities and grant it greater access to nuclear sites to verify that the country is a non-nuclear-weapon state under the NPT.
Swedish Minister of Foreign Affairs, Anna Lindh, proposed the establishment of a new EU non-proliferation policy in the EU General Affairs and External Relations Council (GAERC). This proposal was later followed by the European Security Strategy. While some believe that this proposal was related to the conflict in Iraq, particularly EU internal divisions regarding it, and the lack of an alternative EU strategy to the US policy, it is clear that the nuclear programs in Iran and North Korea also played an important role (Portela 2003; Sauer 2004; Denza 2005; Milagros 2006).

The IAEA Board also asked Iran to sign the Additional Protocol. In August 2003, Iran admitted having received technological support from abroad. The IAEA Board Resolution of 12 September 2003 set an ultimatum to Iran. Iran had to provide full information about its nuclear program before the end of October 2003. In the same month Javier Solana visited Tehran. He warned the Iranian government that if it failed to meet the IAEA demands, this could have negative effects on EU-Iran relations (EU Council Conclusions 21 July 2003). Solana stated:

“Minister Kharrazi and I discussed the nuclear program in some detail. This is an issue of increasing concern for us. The report presented recently by the Director General of the IAEA, Dr. El Baradei, raises a number of serious questions. It is important that Iran urgently clarifies those outstanding questions. Full cooperation and transparency with the IAEA are fundamental, now and in the future. Confidence is key. That is why we welcome the engagement made by the Iranian authorities to commence discussions on an additional protocol to tighten the inspection mechanism. As I mentioned already a year ago, the signature and implementation of such a protocol would be a crucial factor in creating that confidence. We expect to see rapid progress in the discussions with the IAEA. Only by taking such steps we will be able to avoid unwelcome effects on EU-Iran relations.”

In October 2003, the British, French, and German Foreign Ministers (Jack Straw, Dominique de Villepin, and Joschka Fischer) [EU-3] were invited to Tehran to discuss Iran’s nuclear program. The three foreign ministers and the chief Iranian negotiator, Hassan Rowhani (then also Secretary of the Iranian SNSC), agreed that Iran would fully cooperate with the IAEA, and that it would suspend all uranium enrichment and reprocessing activities voluntarily. In return, the foreign ministers promised to do everything to prevent the case being transferred to the UN Security Council, and to recognize Iran’s right to use nuclear energy for peaceful means in accordance with the NPT. They also declared their readiness to cooperate with Iran to promote security and stability in the Middle East, establish a regional nuclear-weapons-free zone, and provide Iran access to modern technology (Iran Ministry of Foreign Affairs, 21 October 2003).

But, EU member countries were divided on how to proceed with Iran, such as on what the EU should offer Iran in a “nuclear bargain.” For example, Ireland opposed providing assistance to Iran’s civilian nuclear sector.\textsuperscript{203} The divisions among EU member countries delayed the development of a compromise policy that was started in August 2003, for almost three months until November of the same year. Disagreements within the EU remained on the question of whether the nuclear issue should be part and parcel of all agreements with Iran (Calabrese 21 July 2004).

After lengthy and difficult negotiations, Iran and the EU signed the Paris Agreement on 14 November 2004.\textsuperscript{204} The agreement spoke of a solution that would provide objective guarantees that Iran’s nuclear program would be exclusively for peaceful purposes. In exchange, Iran was to be provided with “firm” guarantees on nuclear, technological, and economic co-operation and “firm” commitments on security issues.\textsuperscript{205}

“We want a durable, cooperative and long-term partnership with Iran. This agreement opens the way. Potentially it is the start of a new chapter in our relations,”

Solana said in a statement from Brussels (Haeri 15 November 2004).

In May 2005, the US agreed to lift its veto on Iran’s membership to the WTO\textsuperscript{206}, after the WTO had formally supported Iran’s membership. Preconditions of this are continuing talks between Iran and the EU on Iran’s nuclear program. When the US confirmed it would lift its veto, Tehran agreed to stop its nuclear enrichment program until August 2005, when the EU-3 would come up with new suggestions on how to settle the dispute (Dombey 26 May 2005).

The presidential elections in Iran in June 2005 had a major influence on the negotiations. Both the EU and the US had hoped that Rafsanjani would become president and follow a moderate policy on the nuclear issue. But, it was Ahmadinejad who was elected.

\textsuperscript{203} In a statement at the 47\textsuperscript{th} session of the IAEA General Conference on 15-19 September 2003 the Ambassador of Ireland Ronan Murphy said on Ireland’s general position on the NPT: “For Ireland the core of the NPT is the relationship between nuclear non-proliferation and nuclear disarmament. Ireland sees these concepts as mutually reinforcing and looks to the five Nuclear Weapon States to lead by example […] [T]he policy of Ireland in relation to Nuclear Energy and reprocessing is clear and unambiguous. This policy is shaped by the belief that Nuclear Energy and its associated activities pose a particular risk to public health and the environment. For these reasons we do not consider that nuclear energy provides a sustainable energy source […] While the Agency [IAEA] recognizes the transboundary and international risks posed by the nuclear industry, Ireland believes that this dimension and the issues arising from it between nuclear and non-nuclear countries (particularly neighbouring countries) do not always find a ready appreciation among nuclear countries. The reality is that the adoption of the nuclear option in one country creates a threat or risk to the population of a neighbouring country […] whether they emanate from accidents, incidents, discharges, or malicious attack.”

\textsuperscript{204} See the Paris Agreement at http://www.iaea.org/Publications/Documents/Infircs/2004/infircirc637.pdf.

\textsuperscript{205} “Iran-EU Agreement on Nuclear Program,” (14 November 2004), http://www.iaea.org/NewsCenter/Focus/IAEAIran/eu_iran14112004.shtml

\textsuperscript{206} Iran has been candidate for WTO membership since 1996.
In August 2005, the Europeans repeated the earlier demands that Iran give up pursuing full-cycle activities and restrict itself to the construction of light water power reactors and research reactors. In return they offered to expand trade with Iran and gave security incentives that from the Iranian point of view were inadequate. Britain and France committed themselves to not using nuclear weapons against Iran, except in the cases of an invasion or an attack on them, their dependent territories, their armed forces or other troops, and their allies. But the package said nothing about conventional attacks on Iran and nothing about countries that have publicly made physical threats against Iran, namely the US and Israel. The trade incentives were similarly weak, since it is the US and not the EU, which is imposing economic sanctions on Iran (Farhi 24 October 2005). Iran’s response was that, since the EU package was far too short of its expectations, it would resume uranium enrichment at the Isfahan plant. When Ahmadinejad declared Iran’s right to enrich uranium the EU broke off the negotiations. In August/September 2005, Russia proposed to enrich Iranian uranium in Russia and ship it back to Iran. This proposal also found backing among EU member countries, such as France. In a joint France-Russian statement of 14 February 2006, the two countries, both of which are in the possession of nuclear weapons, state:

“Iran [...], France and the Russian Federation are united in their determination to see the proliferation implications of Iran’s nuclear program resolved. They welcome the positive interaction between France, Germany, the United Kingdom, and the High Representative of the European Union, and the Russian Federation in search of a diplomatic solution to the Iranian nuclear issue. They call on Iran to comply fully with IAEA February BOG resolution and requirements, including the full suspension of all enrichment related and reprocessing activities. They recognize legitimate rights for the Iranian people to develop a safe, sustainable nuclear power generation program proven to be for peaceful purposes, in compliance with NPT obligations of Iran and to enjoy the benefits thereof. By effectively removing international concerns in the long run, Iran would pave the way for the international cooperation necessary for the development of such a program. The Russian proposal of a joint-venture for uranium enrichment located in Russia is widely supported by the international community and represents a way forward in that direction.”

The Iranian government continued assembling centrifuges and enriching uranium, and both the EU and the US threatened to refer Iran to the Security Council for sanctions. As Tarock states (2006: 659) it is possible that, had the EU not tried to wear down the Iranians and instead offered better incentives, while the reformist President Khatami was still in power, they might have been given greater consideration in Tehran. One plausible explanation for the EU’s delaying tactics is that it had hoped that the Iranian elections of 2005 would bring back to power former President, Hashemi Rafsanjani and not Mahmoud Ahmadinejad. Ahmadinejad said that the Khatami government had

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given too many concessions to the West and the IAEA. He argued that the mastering of nuclear technology was not just a means to produce electricity, but also a way to advance the industrial, scientific, and economic development of the country. It was in this political atmosphere, the West pressing for Iran to be referred to the Security Council and Iran insisting on it proceeding with its uranium enrichment program that the IAEA Board of Governors met in Vienna, in September 2005, to discuss whether Iran should be referred to the Security Council. The Board passed a resolution declaring that Iran was in “non-compliance” with IAEA nuclear safeguard requirements.

Still, despite the nuclear crisis, in its conclusions of 7 November 2005 the European Council underlined the importance of a Comprehensive Dialogue with Iran:

“The Council underlines the long-standing importance it attaches to sustainable political and economic reform in Iran. In this regard, the Council agreed on the importance of the Comprehensive Dialogue. The Council agreed that the Comprehensive Dialogue is an appropriate framework for discussing issues of mutual interest and concern. These include not only areas such as counter-narcotics but also areas of long-standing concern to the EU: terrorism, the proliferation of WMD, Iran’s approach to the Middle East peace process, human rights and fundamental freedoms, and regional issues. While noting progress in the co-operation between Iran and Europe in the field of counter-narcotics, the Council reiterates that the evolution of the long-term relationship, avoiding a deterioration, between Iran and Europe will depend on action by Iran to address effectively all the EU’s areas of concern. The Council reiterates that it is up to Iran to determine, through its actions, whether its long-term relationship with the EU will improve or deteriorate” (Council of the European Union 7 November 2005: 13)

The Iranian nuclear case was finally transferred to the UN Security Council in February 2006, with actual discussions starting in March 2006. In its Declaration of the Chairman of 29 March 2006, the UN Security Council made clear that only

“suspension and full, verified Iranian compliance with the requirements set out by the IAEA Board of Governors would contribute to a diplomatic, negotiated solution that guarantees Iran’s nuclear program is for exclusively peaceful purposes, and underlines the willingness of the international community to work positively for such a solution, which will also benefit nuclear non-proliferation.”

Germany was in favor of a proposal allowing Iran limited uranium enrichment. The US, however, blocked any discussions into that direction. The UN Security Council drafted a resolution that demanded Iran stop uranium enrichment before 31 August 2006. All countries voted in favor of this resolution, except for Qatar.

On 16 October 2006 the EU-25 Ministers of Foreign Affairs decided to continue
talks on sanctions on Iran within the US Security Council. But these talks turned out to be difficult. Russia and China were against heavy economic sanctions on Iran. The US and EU had different opinions on Russia’s support for the Iranian nuclear reactor at Bushehr (Lynch and Kessler 26 October 2006). The US demanded from Russia to end its support for the reactor.

In December 2006, the Security Council urged all countries to no longer supply Iran with materials and technology that could also be used to develop its nuclear and missile program. Above this it ordered a freeze of the assets of 10 Iranian companies and 12 individuals related to the nuclear program in Iran. A couple of months later, on 24 March 2007, the Security Council voted unanimously to impose new sanctions on Iran including the banning of Iranian arms exports, and the freezing of assets of 28 individuals and organizations involved in the nuclear program, most of whom have links with the paramilitary forces in Iran (Elliot and Kelemen 27 March 2007).

In its Iran-reflection paper of February 2007 the EU however, states that it considers economic sanctions as not the only means to solve the problems with Iran. It still considers diplomatic negotiations just as, or even more, important:

“The problems with Iran will not be resolved through economic sanctions alone. Iran has shown great resilience to outside pressure in the past, for example during the Iran/Iraq war. The government may also exploit the sanctions to benefit nationalism or to explain economic failure. Nevertheless, Iran must understand that the pursuit of policies which the international community rejects is not cost-free. The EU has agreed to pursue sanctions through the United Nations if the Iranians continue to reject the decisions of the IAEA Board and the UN Security Council. But it has also agreed to keep the door open to negotiations if Iran decides to meet the requirements in the UN Resolutions” (Dombey 13 February 2007).

The internal document acknowledges that sanctions could also work against its imposers given Iran’s poor economic situation and the need for FDI:

“[t]he sanctions […] have limited direct effect but they come at a moment when the economy is performing poorly, partly because of Iranian mismanagement. Ahmadinejad is under criticism because of rising inflation – officially at 12 per cent, in reality closer to 20 per cent; economic growth around 5 per cent per annum is not keeping up with the need for job creation. Foreign investment has all but dried up, partly because of the nuclear issue and associated action (e.g. restriction on Iranian banks, greater caution of export credit agencies). Without new investment, Iran risks being unable to maintain medium-term oil production, currently 50 per cent of government income” (Dombey 13 February 2007).

Nevertheless, in September 2007 the French President, Nicolas Sarkozy, suggested European-wide sanctions against Iran outside the UN. As was stated by the French Foreign Minister Bernard Kouchner, Britain and Germany are also interested in talking
about such sanctions. Sarkozy’s move is a sign that he follows a foreign policy more closely aligned to US foreign policy interests than his recent predecessors (Blitz 17 September 2007).

Both for the US and the EU a reform of Iran, in particular, and the Middle East, in general, is high on the agenda of their foreign policies. Both agree on issues such as terrorism, the Middle East peace process, WMD and human rights. But the EU’s policy towards the Middle East and Iran differs from that of the US. European leaders have stated that they would oppose military action against countries the US has identified as within the “axis of evil.” In the case of Iraq, however, there was no common position, because EU member countries, such as France and Germany openly rejected, while Britain, Italy, Spain, and Poland actively supported the war. At the same time, most agreements between Iran and the EU derive from negotiations between Britain, France, Germany (the EU-3) and Iran only, leaving the other EU member countries outside the negotiation table, but letting them sign the agreements derived from these negotiations. It can be said that there is a battle between the US and Iran, for the former to keep the EU as far away from Iran as possible, and for the latter to keep the EU as close as possible. At the same time, Iran cannot rely too greatly on the objections to US policy of major European countries. Though the EU and the US do not agree on a number of issues it should not be taken as a sign that the EU would ever participate in an anti-American coalition. Thus, the differences between the EU and the US are not structural but rather of a methodological nature, and close ties between Europe and the US will remain (Sajjadpour 2002: 96,108).

No decision on a military attack by the US on Iran is to be expected before 2008. But, as a source in Washington has stated, George W. Bush will not leave his office leaving the Iran issue open. According to the source, President George W. Bush and Dick Cheney will not trust any presidential successor, be it a Republican or a Democrat. Until then, the US will further apply diplomatic means (MacAskill and Borger 16 July 2007). The meeting in Baghdad on 28 May 2007 between Iran and the US has opened the way for further talks. As Sadjadtour notes (June 2007: 1):

“Engagement with Iran is an approach that is easy to advocate but very difficult to carry out. Not since the early days of the revolution has Iran’s domestic and international behavior been less agreeable. Yet perhaps never before has its regional influence been greater.”

Furthermore, on 3 December 2007 the US National Intelligence Council published the National Intelligence Estimate212, in which it states that the IRI halted its nuclear weapons program in 2003. The report’s conclusions could pose an obstacle to G.W. Bush’s possible plans to start a war against Iran and could even put economic sanc-

tions against Iran into question (Shuster 8 December 2007).

In the end the Iranian government has no other choice than to change its policy. What the US and the EU can do is facilitate this change by developing a common more “nuanced” policy approach towards Iran. A dialogue should be comprehensive and not limited to the nuclear issue. A common approach should, besides the US and the EU, also include Russia, China, and India. Iran should not be threatened with sanctions if it fully cooperates with the IAEA. Threatening Iran with military intervention would only weaken the reformist forces in Iran and strengthen the Conservative and neo-Conservative forces (Sadjadpour June 2007: 4-5).

7.7 Summary
Chapter 7 analyzed relations between the EU and Iran since the Islamic revolution, with special focus on cooperation in the areas of (1) energy, (2) trade and investment, (3) human rights, (4) and the proliferation of nuclear weapons.

In contrast to the ideologically driven US policy towards Iran, the EU’s approach is rather pragmatic. Though the EU and the US agree that Iran plays an important role in fighting terrorism, and in the Middle East peace process, and both do not want Iran to become a nuclear state, they differ on the means to reach their goals. This has been so since the establishment of the IRI, when the US imposed economic sanctions on Iran after the hostage taking of US embassy staff in Tehran, and continues to be the case until today.

The EU needs Iran as an important supplier of oil and gas, and also considers it to be a factor of stability in the Middle East. Therefore, the EU considers political dialogue with Iran to be more appropriate than economic sanctions. In 1992, the Critical Dialogue with Iran was initiated by the European Council during the Edinburgh summit. In 1998, the Critical Dialogue was replaced by the Comprehensive Dialogue, followed by the establishment of various working groups the most important of which were on energy, on trade and investment, on human rights, and on the proliferation of nuclear weapons.

Cooperation, however, is hampered by several factors. Beside international political problems such as the nuclear issue, Iran’s internal problems limit economic cooperation between Iran and the EU, such as lack of transparency in laws and regulations, an unclear tax system, an insecure investment climate, the treatment of non-native personnel of foreign firms, granting of import permits to foreign importers, and repatriation of investment profits.

Another important obstacle are the difficulties of the EU to develop a common foreign policy, in general, and towards Iran, in particular, due to different interests of EU member countries and different opinions on what strategy should be followed with regard to Iran. Though economic interests play a role here, they are not the driving force. The success or failure to conclude an agreement with Iran could be of importance for the development of a common EU foreign policy as well as the question on the exten-
sion of competences within the EU. The question of whether the EU Commission or the European Council will be at the heart of a common EU foreign policy could lead to two very different outcomes: (1) A Europeanization of foreign policy; (2) An ad hoc and re-active approach to foreign policy. Besides other factors, such as energy security, the war in Iraq made it obvious that the EU had to develop a common security strategy that would be aware of the nuclear threat and present measures to respond to it, and that also would not drive a deeper rift between the EU and the US. It also presented an opportunity for Britain, France, and Germany to strengthen their position within the EU, both individually and collectively.

Relations between Iran and the EU will remain cautious in the near future, but will continue. The EU might put more emphasis on the interrelations between economic relations, the nuclear issue, and human rights, but it will also acknowledge Iran’s geopolitical significance. Relations will also depend on whether the EU member countries will be able to speak with one voice through a joint foreign policy strategy.

Another important factor for improving relations between the EU and Iran is the US and its position towards Iran. Until now the US and the EU have been unable to develop a joint strategy to deal with Iran. To the contrary, Iran has been a source of friction within the Atlantic Alliance, as well as to some degree within the EU itself. But it seems rather unlikely that the case of Iran will lead to a major crisis between the US and the EU. What makes the EU-Iran relations particularly significant is the refusal of the EU, and its member countries, to capitulate to US pressure on their mutual political and economic relations.

Thus, the nuclear issue in Iran not only is important with regard to the NPT but also in a broader sense is a test case for EU-US relations and intra-European politics.
Conclusion

This study analyzes the dynamics of factionalism among the political elite in the Islamic Republic of Iran (IRI) and the approaches of the different political factions to economic, socio-cultural, and foreign policy issues from the Islamic Revolution in 1979 until 2007.

The modern secular-authoritarian regime of Mohammad Reza Shah Pahlavi was overthrown in 1979 by a coalition of a wide range of secular and Islamic social forces. Ayatollah Khomeini succeeded in establishing a semi-theocratic republic as a result of his ability to mobilize Shi’ite religious institutions and his focus on mass grievances against the Shah’s regime, as well as the failure of Mohammad Reza Shah to keep the support of the modern urban social forces he had created by rapid modernization from above in the 1960s and 1970s. The Islamic revolution caused a fundamental change in the composition of the political elite in Iran, whose secular oriented members were replaced by mainly clergies and religious laypersons. The nature of the political system of the IRI is unique as it is based on: a combination of state institutions that derive their legitimacy from Islamic law – the religious supervisory bodies (the Council of the Guardian [Majles-e Khoobregan], the Expediency Council [Majma’-e Tashkhis-e Maslahat-e Nezam], and the Assembly of Experts [Shora-ye Maslahat-e Nezam]); republican institutions legitimized by the people (the legislative, the executive, and the judiciary); and major semi-governmental economic institutions (the religious foundations [bonyads]).

The basic principle of the political system is the ve’layat-e faqih (the Government of the Jurist) system, as developed by Ayatollah Khomeini, according to which the supreme leader (vali-e faqih) is the head of the political system. The supreme leader, who is not elected by the people, may overrule any bills passed by the legislative. The power of the supreme leader, however, is not absolute, but checked by the religious supervisory bodies. Together, the supreme leader and the religious supervisory bodies oversee the republican institutions. This creates a continuous tension between the supreme leader and the religious supervisory bodies on the one hand, and the republican institutions on the other.

Legal political parties do not exist in the IRI. Political factions represent the different approaches to economic, socio-cultural, and foreign policy. The main political factions are the Conservative faction, the Pragmatist faction, and the Reformist faction. The political factions are not homogenous but loose coalitions of groups and individuals with similar views. They have no coherent organizational structure and no official program. Sometimes, different opinions within factions can even cause disruptions and result in alliances with other factions or the decline and emergence of new factions. The extent to which a political faction participates in policy formulation, or the political discourse depends, on what faction or alliance of factions control (semi-) governmental institutions in a certain period of time. However, though the domination of the republican
institutions has shifted between the factions several times, the religious supervisory bodies, the military, and the religious foundations have, since the Islamic revolution, been under control of the Conservative faction. That means, the Conservative faction has continuously ruled over key state institutions and, consequently, has had a decisive influence on economic, socio-cultural, and foreign policy formulation.

The different approaches of the political factions to economic, socio-cultural, and foreign policy issues have an ideological and a material component. Firstly, there are diverse opinions between and within factions on whether Islamic jurisprudence should be the only or main basis of the legal system in the IRI. The Conservative faction considers Islamic jurisprudence - with varying interpretations - an important constituent of the juridical system in Iran. For the Pragmatist faction, Islamic jurisprudence is of relevance on the socio-cultural level but less on the economic level. The Reformist faction considers Islamic jurisprudence insufficient to address all issues in the Iranian society. Secondly, the political factions defend the material interests of their members and of economic groups that support them. The Conservative faction represents the interests of the traditional economic sector (the bazaaris), as well as ultra-orthodox clergy, and the highly religious public. It receives its major income from official economic sources based on fiscal instruments (taxes, fees, and borrowings) and oil/gas revenues (sources of foreign currencies), as well as from religious sources (the mosques, the Shiite holy shrines and sites) and the religious foundations outside the fiscal instruments. The other two main factions, the Pragmatist and the Reformist factions, rely only on the official fiscal sources. The Pragmatist faction is supported by (religious) technocrats, parts of the middle class, and segments of liberal tendencies. The Reformist faction represents the interests of a wide range of (secular) social groups among which women, students, and intellectuals.

The Conservative faction is in favor of trade liberalization but objects to large-scale privatization policies, which could counter the interests of the traditional economic sector and the religious foundations. The Pragmatist and Reformist factions represent liberal tendencies or support economic liberalization policies with a limited role for the state. More recently, parts of the Reformist faction, among whom former President Khatami, have called for a reduction of power of the supreme leader in favor of the legislative. A reform of the political system, however, is neither in the interest of the supreme leader himself nor of the religious supervisory bodies, who would fear losing their influence on policy formulation and the support of the traditional economic groups and institutions.

With the election of Mahmoud Ahmadinejad as president the neo-Conservative faction (a minority-branch of the Conservative faction) has risen to power. This group became radicalized after the Iran-Iraq war when it was excluded from policy-making by the Pragmatist faction, the dominant faction at the time. Its members are younger ideologues closely connected to the revolutionary military forces. They see themselves as the true defenders of Khomeini’s Islamic ideology and argue that no government until
now has succeeded in establishing a “true Islamic state” in Iran. Mahmoud Ahmadinejad represents segments within society, especially among the urban and rural poor, who seek to improve their economic situation, but at the same time are socio-culturally conservative. In the presidential elections of 2005 many of those urban and rural poor felt that their interests were best represented by Mahmoud Ahmadinejad and voted for him, whereas reform minded Iranians, due to the lack of truly alternative candidates, did not participate in the elections.

The election of Mahmoud Ahmadinejad as president, however, cannot undermine the gradual and increasing trend of public demands for political, economic, socio-cultural, and foreign policy change. This has been shown on many occasions in parliamentary, presidential, and local council elections, which, several times, were won by the Pragmatist and Reformist factions. An important aspect of this trend towards reforms is that the composition of the Iranian population has changed significantly since the Islamic revolution. Iran’s population has more than doubled since before the Islamic revolution, with the number of young people under the age of 30 amounting to about 70 percent of the total population while the population of over 65 year olds is less than 5 percent. Young Iranians are frustrated with the poor economic prospects and socio-cultural restrictions in Iran. They are the children of the information age participating in discourses on world peace, human rights, and democracy on the World Wide Web. Another important aspect is the level of education of women. Though women have to experience great limitations to their private and public freedom in the IRI, the situation of female education has improved significantly compared to the Shah’s period. Today 50 percent of university students are women. Women are aware of their rights, much more than during the period of the Shah and organize themselves to defend these rights. Another important aspect worth mentioning is the discourse among clerical and (religious) intelligentsia that emerged after the death of Khomeini. Many of these intellectuals were passionate supporters of the Islamic revolution, but have turned into reformers and now belong to the greatest critics of the velayat-e faqih system. Their discourses involve issues such as the role of religion in politics and the extent to which the clergy should be involved in politics, and thus touch the very heart of the political system of the IRI.

Since the Islamic revolution, the political factions, especially the Conservative faction, have used foreign policy to cover up social and economic problems and challenges at home. For example, during the Iran-Iraq war (1980-1988) the Islamic regime was able to unite the political factions and the Iranian people against the aggressor Iraq and all Western countries that supported it and, therewith, divert interest from solving economic problems to foreign policy goals. In general, two main positions of the political factions on foreign policy can be distinguished: (1) The first group is represented mainly by the Conservative faction. It sees the Iranian society as part of the ummah (Islamic community) and emphasizes the identity of the Islamic revolution and the return to Islamic values. In order to reach these goals, the IRI has to have a good partnership
The Iranian political elite

with Islamic countries, but not necessarily their governments, and also refrain from rapprochement with the United States (US). This position was dominated by the two main ideological foreign policy principles of the Islamic revolution: “Neither East nor West,” and the “Export of the Revolution” which were followed in the first ten years after the Islamic revolution. Today, due to the huge economic problems in Iran, segments of the Conservative faction have softened their position on these two foreign policy principles; (2) The second group is represented by the Pragmatist and Reformist factions. These factions are convinced that Iran has to play a key role in international relations, as international trade and international diplomatic relations are preconditions for economic development in Iran. Since the late 1980s the Pragmatist and Reformist factions have been the driving forces behind the IRI’s international economic policies and improvements in diplomatic relations with the Persian Gulf countries, European Union (EU), China, India, Central Eurasia, Russia, and, also, the US. Several events had a great impact on reversing the foreign policy approach: (1) The death of Ayatollah Khomeini; (2) The emergence of the Pragmatist faction into power in 1989; (3) The end of the Iran-Iraq War in 1988; (4) The collapse of the Soviet Union in 1991; (5) The larger US military presence in the Persian Gulf since the Kuwaiti crisis (1990-1991); and (6) the economic problems in the IRI.

Parts of the Conservative faction have complicated Iran’s foreign relations by: financially supporting subversive militant groups in Muslim countries; suppression of Iranians in exile; accusing western citizens of blasphemy; or by non-recognition of the state of Israel. Nevertheless, despite these different approaches to foreign policy also the Conservative faction also agrees that Iran should be a key player in international relations. Since 1989, this foreign policy goal has been more or less independent of what composition of factions controls the republican institutions and religious supervisory bodies in a certain period of time.

That means, in contrast to the economic and socio-cultural levels, factional rivalries are of less importance on the foreign policy level. The interaction with other countries and regions plays a much greater role in foreign policy formulation than factional rivalries. For example, the discussions on the nuclear issue in Iran cut across the different political factions. Some Conservatives are against the possession of nuclear weapons, while some Reformists argue that the development of nuclear weapons is Iran’s right and a national security imperative. At the same time, the nuclear issue is a means for the Iranian regime to find legitimacy at home. Many Iranians believe that Iran has the right to possess nuclear technology. They believe that the control of nuclear weapons would grant the country respect internationally and would improve Iran’s international scientific status. However, this should not be at the expense of Iran’s international relations. Confrontation and international isolation do not solve the country’s economic problems. The Iranian government yet again fears that if it gives in on the nuclear issue, the EU and the US might have other demands in areas such as: human rights; terrorist groups; recognition of Israel; or, worst of all, regime change. Thus, for the Iranian
government, the nuclear issue is also a test case to prevent international interference in affairs at home.

The political regime in Iran so far has been stable despite the contradictions inherent to the political system of the IRI, which are: (1) The divisions of competencies between the supreme leader, the religious supervisory bodies, and the republican institutions; and (2) The political factions’ different approaches to economic, socio-cultural, and foreign policy issues. The political regime has been stable in spite of the significant urge for political, socio-cultural, and economic reforms among large parts of the Iranian population. Nevertheless, the political factions, and especially the Conservative faction, are in a dilemma. If the Conservative faction gives in to the demands for reforms it will lose the support of the traditional economic groups and, therewith, an important base of power. If, in the long-term, it negates the longings for change, there is a possibility of an overthrow of the political regime from below. In that case, the cards of political power will be shuffled anew with a yet unclear outcome of what type of political regime might follow.
Conclusie

Deze studie analyseert de dynamiek van factionalisering onder de politieke elite in de Islamitische Republiek van Iran (IRI) en de benaderingen van de verschillende facties tot de economie, sociaal-culturele ontwikkelingen en de buitenlandse politiek sinds de Islamitische Revolutie in 1979 tot 2007.

Het moderne seculier-autoritaire regime van Mohammad Reza Shah Pahlavi kwam in 1979 ten val door een coalitie van seculiere en Islamitische maatschappelijke krachten. Ayatollah Khomeini zag kans om een semi-theocratische republiek te stichten doordat hij in staat was de Shi’itische instituties te mobiliseren en in te spelen op de bestaande massale wrok tegen het Shah regime. Ook profiteerde Ayatollah Khomeini van het feit dat Mohammad Reza Shah het draagvlak verloor binnen de moderne stedelijke samenleving die de Shah zelf had gecreëerd door middel van een snelle modernisering vanaf de late jaren ‘60 tot en met de jaren ‘70 van de vorige eeuw. De Islamitische revolutie bracht een fundamentele verandering in de samenstelling van de politieke elite in Iran teweeg. De seculier georiënteerde leden van de politieke elite werden vervangen door hoofdzakelijk geestelijken of religieuze niet-geestelijken. De aard van het politieke systeem van de IRI is hierdoor uniek. Het is gebaseerd op een combinatie van staatsinstituten die door het Islamitische recht gelegitimeerd zijn. Enerzijds zijn er de religieuze toezichthoudende instituties (de Raad van Experts [Majles-e Khobregan], de Raad van Hoeders [Shora-ye Maslahat-e Nezam] en de Expediency Council [Majma’-e Tashkhis-e Maslahat-e Nezam]). Anderzijds zijn er republikeinse instituties [d.w.z. een scheiding der machten in een wetgevende [majles=parlement], uitvoerende en rechterlijke macht]. Verder zijn er ook nog de belangrijke semi-statelijke economische instituties (de religieuze stichtingen [bonyads]). Het grondbeginsel van het politieke systeem is het velayat-e faqih systeem (de heerschappij van de religieuze wetgeleerde), ontwikkeld door Ayatollah Khomeini. Volgens het velayat-e faqih systeem is de Opperste leider (vali-e faqih) het hoofd van het politieke systeem. De Opperste leider wordt niet door het volk gekozen en mag alle wetsvoorstellen die door het parlement zijn aangenomen afwijzen. Toch is de macht van de Opperste leider niet absoluut. Hij wordt gecontroleerd door de religieuze toezichthoudende instituties. De Opperste leider en de religieuze toezichthoudende instituties samen houden toezicht op de republikeinse instituties. Dit veroorzaakt een constante spanning tussen de Opperste leider en de religieuze toezichthoudende instituties enerzijds en de republikeinse instituties anderzijds.

Er bestaan geen feitelijke politieke partijen in de IRI. Depolitieke facties vertegenwoordigen de verschillende benaderingen tot de economie, sociaal-culturele ontwikkelingen en de buitenlandse politiek. De drie belangrijkste politieke facties zijn de Conservatieve factie, de Pragmatische factie en de Reformistische factie. De politieke facties zijn niet homogeen. Zij bestaan uit losse coalities van groepen en individuen met gelijksoortige visies. De facties hebben geen coherente organisatorische structuur
en geen officieel programma. Soms kunnen verschillen binnen een factie leiden tot verstoreingen en resulteren in allianties met andere facties of tot de neergang van een bestaande en de opkomst van een nieuwe factie. De mate waarin een factie in politieke besluitvorming of in het politieke debat participeert, hangt af van welke factie of alliantie van facties de (semi)statelijke instituties in een bepaalde periode controleert. Maar ook al hebben uiteenlopende facties in de loop der tijd de republikeinse instituties gedomineerd, de religieuze toezichthoudende instituties, de strijdkrachten en de religieuze stichtingen zijn sinds de Islamitische revolutie onder controle van de Conservatieve factie geweest. Dat betekent dat de Conservatieve factie voortdurend de machtigste staatsinstituten heeft beheerst. Ze heeft daardoor dan ook een belangrijke invloed op de besluitvorming op economisch en sociaal-cultureel gebied en de buitenlandse politiek.

De verschillende benaderingen van de politieke facties tot de economie, sociaal-culturele ontwikkelingen en de buitenlandse politiek hebben zowel een ideologische als een materiële achtergrond. Ten eerste bestaan er zowel binnen als buiten de politieke facties verschillende ideeën over de vraag of de Islamitische wetgeving de enige of belangrijkste basis van het rechtssysteem in de IRI moet zijn. De Conservatieve factie beschouwt de Islamitische wetgeving, hoewel met verschillende interpretaties, als een belangrijke pijler in het juridische systeem in Iran. Voor de Pragmatische factie is de Islamitische wetgeving relevant op het sociaal-culturele niveau, maar minder op het economische niveau. De Reformistische factie vindt dat de Islamitische wetgeving onvoldoende is om alles wat in de Iraanse maatschappij speelt te behandelen. Ten tweede verdedigen de politieke facties de materiële belangen van hun leden en de economische groepen die hen steunen. De Conservatieve factie vertegenwoordigt de belangen van de traditionele economische sector (de bazaaris), van de ultra-orthodoxe geestelijken en van het extreem religieuze publiek. De Conservatieve factie verkrijgt haar inkomen grotendeels uit officiële economische bronnen die zijn gebaseerd op fiscale instrumenten (belastingen, heffingen, leningen) en de opbrengst uit de export van olie en gas (bronnen van buitenlandse valuta), maar ook uit religieuze bronnen (de moskeeën en Shí’tische heiligdommen) en de religieuze stichtingen buiten de fiscale instrumenten. De andere twee facties, de Pragmatische en de Reformistische factie, beschikken alleen over de officiële economische bronnen. De Pragmatische factie wordt gesteund door (religieuze) technocraten, een deel van de middenklasse en door liberale stromingen / groeperingen. De Reformistische factie behartigt de belangen van verschillende (seculiere) sociale groepen waaronder vrouwen, studenten en intellectuelen.

De Conservatieve factie is voorstander van de liberalisering van handel maar tegen grootschalige privatiseringen, die tegen de belangen van de traditionele economische sector en de religieuze stichtingen in zouden kunnen gaan. De Pragmatische en Reformistische facties staan voor economische liberalisering met een beperk de rol van de staat. Kort geleden stelden delen van de Reformistische factie, waaronder de voormalige President Khatami, de inperking van de macht van de Opperste leider ten gunste
van de wetgevende macht voor. Maar het hervormen van het politieke systeem is noch in het belang van de Opperste leider zelf, noch van de religieuze toezichthoudende instituties. Zij vrezen hun invloed op politieke besluitvorming en ook de steun van de traditionele economische groepen en instituties te verliezen.

Met de verkiezing van Mahmoud Ahmadinejad tot president is de Neoconservatieve factie aan de macht gekomen. Dit is een minderheidsgroep die is voortgekomen uit de Conservatieve factie. De groep radicaliseerde na de oorlog tussen Iran en Irak toen zij buiten het politieke besluitvormingsproces werd gehouden door de destijds dominante Pragmatische factie. De Neoconservatieven zijn jongere ideologen die nauwe banden met de revolutionaire legermacht hebben. Zij beschouwen zichzelf als de enige ware verdedigers van Ayatollah Khomeini’s Islamitische ideologie en beweren dat het geen enkele overheid tot nu toe gelukt is een “ware Islamitische staat” in Iran op te richten.

Mahmoud Ahmadinejad vertegenwoordigt delen van de samenleving die hun economische toestand verbeteren willen zien (vooral de armen in de steden en op het platteland), maar tegelijkertijd op sociaal-cultureel gebied conservatief zijn. Veel van deze armen in de steden en op het platteland kozen in de presidentsverkiezingen van 2005 voor Mahmoud Ahmadinejad omdat hij in hun ogen hun belangen het beste behartigde. De meer hervormingsgezinde Iraniërs participeerden echter niet in de verkiezingen bij gebrek aan werkelijk alternatieve kandidaten.

Toch kan de verkiezing van Mahmoud Ahmadinejad tot president de steeds verder toenemende vraag om politieke, economische en sociaal-culturele hervormingen en koerswijzigingen in de buitenlandse politiek niet ondermijnen. Dit is gebleken uit diverse parlements-, presidents- en gemeenteraadsverkiezingen, die meerdere malen werden gewonnen door de Pragmatische en de Reformistische facties. Een belangrijk aspect van deze tendens van hervormingen is dat de samenstelling van de Iraanse bevolking sinds de Islamitische revolutie fundamenteel is gewijzigd. De Iraanse bevolking is meer dan verdubbeld. Iraniërs jonger dan 30 jaar maken nu 70 procent van de totale bevolking uit. Mensen ouder dan 65 jaar daarentegen minder dan 5 procent. Jonge Iraniërs zijn gefrustreerd vanwege de slechte economische vooruitzichten en de sociaal-culturele belemmeringen in Iran. Ze zijn kinderen van het informatietijdperk en nemen deel aan discussies over de wereldvrede, mensenrechten en democratie op het World Wide Web. Ook een belangrijk gegeven is het opleidingsniveau van vrouwen. In de IRI hebben vrouwen weliswaar te maken met hevige beperkingen van hun persoonlijke en publieke vrijheden, toch is het onderwijs voor vrouwen beduidend verbeterd vergeleken met de periode van de Shah. Tegenwoordig bestaat de helft van de studenten aan de universiteit uit vrouwen. Zij zijn zich nu veel meer bewust van hun rechten dan in de tijd van de Shah en organiseren zich om voor deze rechten te vechten. Een andere belangrijk aspect is het debat tussen geestelijken en (religieuze) intellektuelen sinds de dood van Ayatollah Khomeini. Veel van deze intellectuelen waren vroeger gepassioneerde ondersteuners van de Islamitische revolutie, maar zijn veranderd in hervormers en behoren nu tot de grootste critici van het velayat-e faqih systeem. Zij debatteren
over onderwerpen als de rol van religie in de politiek en in hoeverre de geestelijken zich met de politiek moeten bemoeien. Hun debat raakt daarmee de kern van het politieke systeem van de IRI.


(2) De tweede groep wordt vertegenwoordigd door de Pragmatische en de Reformistische facties. Deze facties zijn ervan overtuigd dat Iran een sleutelrol moet spelen op het gebied van internationale betrekkingen, aangezien internationale handel en internationale diplomatieke banden de randvoorwaarden vormen voor de economische ontwikkeling van Iran. Sinds het einde van de jaren 80 van de vorige eeuw vormen de Pragmatische en de Reformistische facties de drijvende krachten achter het internationaal economische beleid van Iran en de verbetering van de diplomatieke banden tussen Iran en de landen van de Perzische Golf, de Europese Unie (EU), China, India, Centraal Azië, Rusland, en ook de VS. Verschillende gebeurtenissen hebben een grote invloed gehad op de ommekeer in de buitenlandse politiek: (1) de dood van Ayatollah Khomeini; (2) het aange de macht komen van de Pragmatische factie in 1989; (3) het einde van de Iran-Irak oorlog in 1988; (4) de ineenstorting van de Sovjet-Unie in 1991; (5) de grotere aanwezigheid van VS militairen in de Perzische Golf sinds de Koeweit crisis (1990-1991); en (6) de economische problemen in de IRI.

Delen van de Conservatieve factie hebben de buitenlandse betrekkingen van Iran bemoeilijkt door financiële steun aan militante groeperingen in Islamitische landen te geven, Iraanse bannelingen te onderdrukken, Westerse burgers van blasfemie te beschuldigen, of door de staat Israël niet te erkennen. Toch, ondanks de verschillen in
benadering van de buitenlandse politiek, vindt ook de Conservatieve factie dat Iran een sleutelpositie in de internationale betrekkingen moet innemen. Sinds 1989 staat dit streven in de buitenlandse politiek min of meer los van welke samenstelling van facties de republikeinse instituties en de religieuze toezichthoudende instituties in een bepaalde tijd controleren.

Dat betekent dat, in tegenstelling tot op het economische en sociaal-culturele niveau, de rivaliteit tussen de verschillende politieke facties een ondergeschikte rol speelt bij de besluitvorming over de buitenlandse politiek. De interactie met andere landen en regio’s blijkt bepalender. Zo open bijvoorbeeld de meningen over de nucleaire kwestie in Iran dwars door de verschillende politieke facties. Sommige leden van de Conservatieve factie zijn tegen het bezit van nucleaire wapens. Sommige leden van de Reformistische factie argumenteren echter dat Iran recht heeft op de ontwikkeling van nucleaire wapens en het een noodzaak is voor de nationale veiligheid. Tegelijkertijd is de nucleaire kwestie ook een instrument waarmee het Iraanse regime zich aan het thuisfront kan legitimeren. Veel Iraniërs zijn ervan overtuigd dat Iran het recht heeft om nucleaire technologie te bezitten. Zij geloven dat het bezit van nucleaire wapens Iran internationaal respect zal brengen en zien nucleaire technologie als een middel om de internationale wetenschappelijke status van Iran te verbeteren. Maar dit moet niet gebeuren ten koste van internationale relaties. Confrontatie en internationale isolatie zullen de grote economische problemen van Iran niet oplossen. Het Iraanse regime vreest echter dat als het op het nucleaire vlak toegeeft, de EU en de VS andere eisen zullen stellen met betrekking tot mensenrechten, terroristische organisaties, de erkenning van Israël of in het ergste geval een verandering van het politieke regime in Iran. Voor het Iraanse regime is de nucleaire kwestie dus ook een testcase om internationale inmenging in binnenlandse politiek te voorkomen.

Het politieke regime in Iran is tot nu toe stabiel te noemen, ondanks alle tegenstrijdigheden die het politieke systeem van de IRI met zich meebrengt: (1) de verdeling van bevoegdheden tussen de Opperste leider, de religieuze toezichthoudende instituties, en de republikeinse instituties; en (2) de verschillende benaderingen van de politieke facties tot de economie, sociaal-culturele ontwikkelingen en de buitenlandse politiek. Maar ook de vraag om politieke, sociaal-culturele en economische hervormingen onder een groot deel van de Iraanse bevolking hoort in dit rijtje thuis. Desondanks staan de politieke facties, de Conservatieve factie in het bijzonder, voor een dilemma. Als de Conservatieve factie toegeeft aan de vraag om hervormingen zal het de steun van de traditionele economische groepen verliezen en daarmee een belangrijke machtsbasis. Als zij op de lange termijn de vraag om hervormingen negeert, zou dit tot een volksopstand kunnen leiden. In dat geval zullen de kaarten van de politieke macht opnieuw worden geschuwd met als uitkomst een nieuw type politiek regime dat nog niet is te voorzien.

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Notes: 1 includes former East Germany's share; 2 includes Saudi Arabia, Kuwait, Lebanon, Syria, Pakistan, Australia and Bahrain who were among Iran's top 25 trading countries before the revolution; 3 includes Taiwan, Armenia, Hong Kong, France, Belgium, Singapore who are among Iran's top 25 export countries since the revolution.


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Notes: 1. Column does not add up because of different composition of countries on the list before and after the revolution. 2. Netherlands, India, Turkey, Thailand, Indonesia, Singapore who are among Iran’s top 25 export countries since the Revolution.


(a) Planned and Actual Sectoral Output Growths during the First Five-Year Plan (percentages), 1368-1372 (1989/90-1993/94).

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Source: Bank-e Markazi Jomhuri Islami Iran; actual figures are based on gross domestic product at a factor cost in constant 1982/83 (1361) prices. The planned growth rates are from Iran Centre for Statistics, Plan and Budget Organisation, *The First Five-Year Plan* (in Pesaran 2000: table 1).

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Source: Amuzegar, J. “Iran’s post-Revolutionary Planning: The Second Try,” Middle East Policy, 8(1), (March 2001), 30.
(c) Third Plan Performance, average % change per annum, 1379-1383 (1999/2000-2004/05).

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Source: Amuzegar, J. “Iran’s Third Development Plan: An Appraisal,” *Middle East Policy*, 12(3), (Fall 2005), 49.

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Notes: \(^1\)1997 prices
\(^2\)16.1 is the total percentage of both urban and rural unemployment.

Source: Nomani, F. and S. Behdad Class and Labor in Iran-Did the Revolution Matter?, (Syracuse: Syracuse University Press, 2006), table 3.4
Bank-e Keshavarzi-e Iran  Agricultural Bank of Iran
Bank-e Markazi Jomhouri Islami-e Iran  The Central Bank of the IRI
Bank-e Sanat va Madan  Bank of Industry and Mine
bazaaris  merchants of the bazaar
bonyads  religious foundations
bonyad-e astan-e quds  Imam Reza Foundation
bonyad-e mostazafan va janbazan  Foundation for the Oppressed and Disabled
bonyad-e shahid  Martyrs’ Foundation
dadgah-e vizheh-ye rouhaniyat  Special Court for the Clergy
Daftar-e Takhim-e Vahdat  Office to Consolidate Unity
dowreh  circle
hey’at  for men
jaleseh  for women
edare-ye aqidati va siyasi  the Political and Ideological Bureau
enqelab-e daemi  permanent revolution
Enqelab-e Eslami  Islamic Revolution
E’telaf-e Abadgaran-e Iran-e Eslami  Alliance of Builders of Islamic Iran
Fiqh  highest learned clergy
hajj  pilgrimage of Muslims to Mecca
Hezb-e Kargozar-e Sazandegi  Executives of Construction Party
Imam  successor to Muhammad as the lawful temporal leader of the Islamic community
Ijtihad  interpretation
Jame’e-ye Rowhaniyat-e Mobarez  Combatant Clergy Association
Jebheye Mosharekate Iran-e Eslami  Islamic Iran Participation Front
Jihad  holy war
Jomhuri-ye Eslami  Islamic Republic
Kar  Labor
khums and zakat  religious tax
majles  parliament
majles-e khobregan  Assembly of Experts
majma’-e tashkhis-e maslahat-e nezam  Expediency Council
marjaj-e taqlid  Grand Ayatollah
mawat  barren land
Mujahed  The Crusader
mojtahed  highest learned clergy
namayandegan-e rahbar
nehzat-e azadi-ye iran
Sandogh-e Qarz al-Hassaneh
Sazeman-e Barname va Bujeh
Shakhsiyat-e ilmi
shari’a
Shora-ye Amniat-e Melli
Shora-ye Maslahat-e Nezam
Shora-ye Rahbordi-ye Ravabet-e Khareji
ulama
vali-e faqih
velayat-e faqih
velayat-e motlaqah-e faqih
Office of the Representatives of the Supreme Leader
Liberation Movement of Iran
Islamic Interest-Free Loan Funds
Planning and Budget Organization
learned person
Islamic law
National Security Council
Council of the Guardian
Strategic Council on Foreign Relations
clergy
Supreme Leader
Governance of the Jurist
Absolute Governance of the Jurist
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